Harvey Norman
HOLDINGS LIMITED | ACN 003 237 545

2019

APPENDIX 4E

Kezie Apps
Captain - NSW Women's
State of Origin Team

Ali Brigginshaw
Captain - Queensland Women's
State of Origin Team

FRANCHISEE AGGREGATED SALES REVENUE*

$5.66bn

down **1.8%** on previous year on a headline basis

down **0.9%** on on a comparable sales basis

COMPANY-OPERATED SALES REVENUE

$2.23bn

up **12.1%** on previous year

PROFIT BEFORE TAX

$574.56m

up **8.4%** on previous year

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS

$402.32m

up **7.2%** on previous year

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

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Harvey Norman® DOMAYNE® JOYCE MAYNE®

KEY DATES:

30 August 2019: Announcement of Full-Year Profit to 30 June 2019 & Announcement of Final 2019 Dividend | **11 October 2019:** Record date for Determining Entitlement to Final 2019 Dividend | **1 November 2019:** Payment of Final 2019 Dividend | **27 November 2019:** Annual General Meeting of Shareholders. The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held at Tattersalls Club 181 Elizabeth Street, Sydney, at 11:00am **28 February 2020:** Announcement of Half-Year Profit to 31 December 2019 & Announcement of Interim 2020 Dividend | **3 April 2020:** Record date for Determining Entitlement to Interim 2020 Dividend | **1 May 2020:** Payment of Interim 2020 Dividend

COMPANY INFORMATION

Registered Office: A1 Richmond Road, Homebush West NSW 2140. Ph: 02 9201 6111 Fax: 02 9201 6250 | **Share Registry:** Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000. Ph: 02 9290 9600 | **Auditors:** Ernst & Young | **Securities Exchange Listing:** Shares in Harvey Norman Holdings Limited ("HVN") are quoted on the Australian Securities Exchange Limited ("ASX") | **Solicitors:** Brown Wright Stein | **Company Secretary:** Mr Chris Mentis

SUPPORTING COMMUNITY

For over 35 years, Harvey Norman® franchisees and employees have not only lived in the communities they work in, they have taken an active part in fostering the spirit of those communities. Whether it's supporting schools and community groups, helping out charities or just supplying the gear for a fundraiser barbecue, we're proud to go the extra mile to do what we can to enrich our local communities.

For the past decade we have built a reputation for our commitment to supporting female athletes in Australia – ensuring they get the support they need and the recognition they deserve. In recent years we have launched new programmes and initiatives to further this commitment – with our Team Harvey project in 2017 to help Australian sportswomen achieve their professional goals, and Team Harvey Junior following in 2018 to provide sponsorship opportunities to the next generation of female champions and remove obstacles to participation at grassroots levels.

Our commitment to women's sport has also seen us continue to provide support for some of the marquee events on the sporting calendar, including the 2019 Women's State of Origin in rugby league with our role as a major sponsor of both the NSW Blues team and the Queensland Maroons team.

There are few occasions on the Australia sporting calendar more exciting than the NRL State of Origin. It has been the pinnacle of the men's game at the domestic level for decades, and now it's the same for the women's game. Over 10,000 spectators filled North Sydney Oval to watch the game live in 2019 – its second year as a stand-alone fixture.

Harvey Norman® is proud to be a key sponsor of the Women's State of Origin. This event not only raises the profile of women's rugby league and helps foster a level playing field for the sporting stars of tomorrow, but spreads a strong message of inclusiveness and has a positive impact on the attitudes of teenage girls towards body image.

Queensland captain Ali Brigginshaw and NSW captain Kezie Apps are amazing athletes and two of the shining lights of the game – but it hasn't been easy to reach this level of success. The 10-hour round trips for training and games that Kezie endured during her early days show the dedication these stars have in their drive to succeed. Such dedication is an inspiration for many young female athletes, particularly those from country areas.

While our sporting programmes and sponsorships may get more of the media spotlight, we have been making sure that we are also getting behind the women of rural and regional Australia.

Now in its third year, the Shine Awards – our partnership with The Weekly Times – endeavours to shine a light on the women making a difference in rural and regional communities. These women are innovators leading the way in design, marketing, communication, health, education, and food, mineral & textile production. By celebrating their achievements and sharing the stories of these passionate women, we can help push for continued investment and innovation in vital regional communities, industries and services.

8 COUNTRIES, 8 FLAGSHIPS

At Harvey Norman®, we strive to continually deliver the highest levels of quality, value and service for our customers. These principles inform every facet of our business, from top to bottom, and it is with these principles in mind that we devised our Flagship strategy.

A Flagship store should represent the pinnacle of achievement for a brand, while also setting the course for the future. Our Flagship stores feature the latest innovations and designs, with the biggest range of quality brands and products, and offer a level of customer service that is unsurpassed in the industry.

Auburn, Sydney, Australia

Zagreb, Croatia

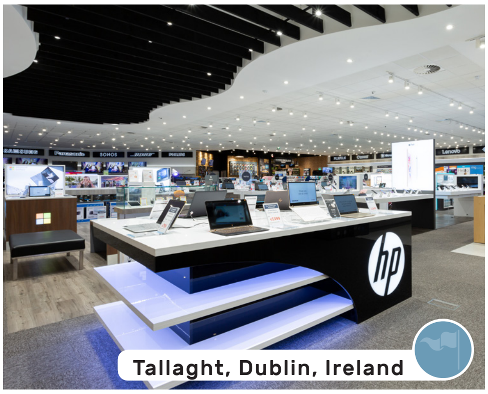
Ikano, Kuala Lumpur, Malaysia

Wairau Park, Auckland, New Zealand

Ljubljana, Slovenia

Millenia Walk, Singapore

Boucher Road, Belfast, Northern Ireland



Tallaght, Dublin, Ireland

Harvey Norman®

FLAGSHIP STORES

THE BEST STORES IN THE WORLD

RESULTS FOR ANNOUNCEMENT

540 FRANCHISEES IN AUSTRALIA

195 FRANCHISED COMPLEXES IN AUSTRALIA

90 OFFSHORE COMPANY OPERATED STORES

REPORTED PBT
$574.56m

UP 8.4% FROM $530.17m IN 2018

REPORTED PROFIT AFTER TAX & NCI
$402.32m

UP 7.2%FROM $375.38m IN 2018

YEAR TO 30 JUNE 2019

	Change	2019
COMPANY-OPERATED SALES REVENUE	▲ 12.1%	$2,234.12m
REVENUE RECEIVED FROM FRANCHISEES	▼ 2.3%	$943.65m
REVENUES AND OTHER INCOME ITEMS	▲ 21.1%	$242.42m
EBITDIA	▼ 1.5%	$696.99m
EBIT	▲ 8.4%	$603.34m
REPORTED PROFIT BEFORE TAX	▲ 8.4%	$574.56m
REPORTED PROFIT AFTER TAX & NCI	▲ 7.2%	$402.32m

YEAR TO 30 JUNE 2018

	2018
COMPANY-OPERATED SALES REVENUE	$1,993.76m
REVENUE RECEIVED FROM FRANCHISEES	$965.47m
REVENUES AND OTHER INCOME ITEMS	$200.25m
EBITDIA	$707.67m
EBIT	$556.52m
REPORTED PROFIT BEFORE TAX	$530.17m
REPORTED PROFIT AFTER TAX & NCI	$375.38m

2019 PBT RETURN ON NET ASSETS
18.0%

BASIC EARNINGS PER SHARE
34.70c
UP FROM 33.21c IN 2018

DIVIDENDS PER SHARE (FULLY-FRANKED)
33.0c
30.0c IN 2018

NET DEBT TO EQUITY RATIO
19.46%
IMPROVED FROM 25.50% IN 2018

Dear Shareholder,

The 2019 financial year has delivered many significant achievements for our company.

Financial Achievements

- Reported profit before tax (PBT) of $574.56m, up 8.4%
- Reported net profit after tax (NPAT) and non-controlling interests of $402.32m, up by 7.2%
- Earnings per share (EPS) of 34.70 cents, up by 4.5% from 33.21 cents
- Net Assets of $3.2 billion, up by 8.8% from $2.9 billion
- Net debt to equity ratio of 19.46%, an improvement from 25.5%
- PBT return on net assets of 18%

Reported consolidated PBT has increased by 8.4% to $574.56 million in the 2019 financial year, up from $530.17 million in the 2018 financial year. This was primarily achieved from the continued dominance of our 90 Harvey Norman® company-operated retail stores overseas, the improved profitability of the property segments and the sale of equity investments during the year.

2019 saw us breakthrough the **$3 BILLION milestone for consolidated net assets, with $3.20 billion of net assets as at 30 June 2019, a substantial 8.8%, or $259.86 million increase**, from $2.94 billion in the previous year. Our integrated retail, franchise, property and digital business model has equipped us with a very strong balance sheet, with **total assets of nearly $5 BILLION**, including tangible property assets of nearly $3 billion.

2019 delivered a **solid 18% PBT return on net assets** and we are proud to achieve consistently strong PBT net asset returns each year. We remain committed to delivering sustainable growth year-on-year, via a prudent and measured investment strategy to maximise our value to shareholders.

Offshore Achievements

- Record offshore retail revenue of $2.05bn, up by 9.7% - milestone $2bn achieved during FY19
- Record offshore retail profit of $129.70m, up by 11.7%
- Offshore businesses now represent 23% of consolidated PBT
- We are on track with our expansion plans overseas, predominantly in Malaysia

Our 90 Harvey Norman® company-operated stores overseas continue to thrive and outperform in their respective markets. Total **offshore revenue surpassed the $2 BILLION milestone** for the first time during the 2019 financial year, with each country reporting significant sales growth on the previous year. Total overseas retail revenue grew by $181.06 million, or 9.7%, to $2.05 billion in the 2019 financial year, up from $1.87 billion in the previous year. Retail sales across 39 stores in New Zealand were just under **$1 BILLION** in local currency, whilst sales in Asia across 30 stores were over **HALF-A-BILLION** for the 2019 financial year.

The overseas businesses now represent 23% of consolidated 2019 PBT. Combined, the overseas retail operations produced an exceptional profit result of $129.70 million, up by 11.7% on the previous year.

We intend to grow our international retail footprint and are on track with our expansion opportunities, particularly in Malaysia. Last year, we reported that we intended to open up to 18 new stores overseas by the end of the 2020 financial year. We have already opened 2 new stores in Malaysia this year, with our second full-format store at Miri, Sarawak, paving the way for further growth in East Malaysia. We have updated our expansion plans and now intend to open up to 21 new stores overseas within the next 2 years, with 17 of those new stores in Singapore and Malaysia. By the end of the 2021 financial year, we anticipate having 111 Harvey Norman® company-operated stores across 7 offshore countries.

Flagship Achievements

- 2019 delivered the completion of our 8-country Flagship Strategy and each Flagship has performed to expectations

For new stores and existing store refits going forward in the 8 countries, we are taking the best elements of the Flagship fitout and design to integrate into these stores. We have seen good sales uplifts in our Malaysian, Singaporean, Slovenian and Irish stores, where this has been executed. We plan to start rolling this premium format out in Australia and New Zealand, as new franchised complex and store refits are due. We are currently underway with the first premium refit in Australia at the Cairns franchised complex and the franchised complexes located at Campbelltown, Balgowlah, Preston and Aspley will commence post-Christmas. Mt. Wellington and Hamilton in New Zealand will also commence post-Christmas.

Franchisee Sales Revenue

Franchisee sales have continued to be subdued in the second half. We published franchisee sales revenue for January and February 2019 in our 2019 half-year report. We have seen an improvement in aggregated franchisee sales revenue from March to June. Even though their sales have been soft, our franchisees have continued to invest in their people, logistics and technology, in anticipation of Government stimulus via tax credits, stabilising house prices, and an increase in lending by banks for mortgages and small business loans. The recent reduction in interest rates and the relaxing of stringent lending restrictions on banks by APRA, is anticipated to provide the necessary momentum to stimulate residential home loan customers.

Franchisee sales for July and August 2019 are showing signs of improvement. Aggregated franchisee sales for the period 1 July 2019 to 29 August 2019 increased by 3.3% compared to the period 1 July 2018 to 29 August 2018, and 3.0% on a comparable sales basis.

We'd like to thank all of our staff for their loyalty and commitment to our vision, and pay tribute to the commendable efforts of our franchisees throughout the year. We value and appreciate the continued support and confidence of our shareholders in the leadership and future direction of our business.

G. HARVEY
Chairman
Sydney
30 August 2019

K.L. PAGE
Chief Executive Officer
Sydney
30 August 2019

FINANCIAL HIGHLIGHTS

net assets of

$3.2bn

consolidated net asset position of $3.2bn, surpassing the $3bn milestone for the first time during FY19

net debt to equity ratio

19.46%

as at 30 June 2019, an improvement from 25.50% as at 30 June 2018

PBT return on net assets of

18%

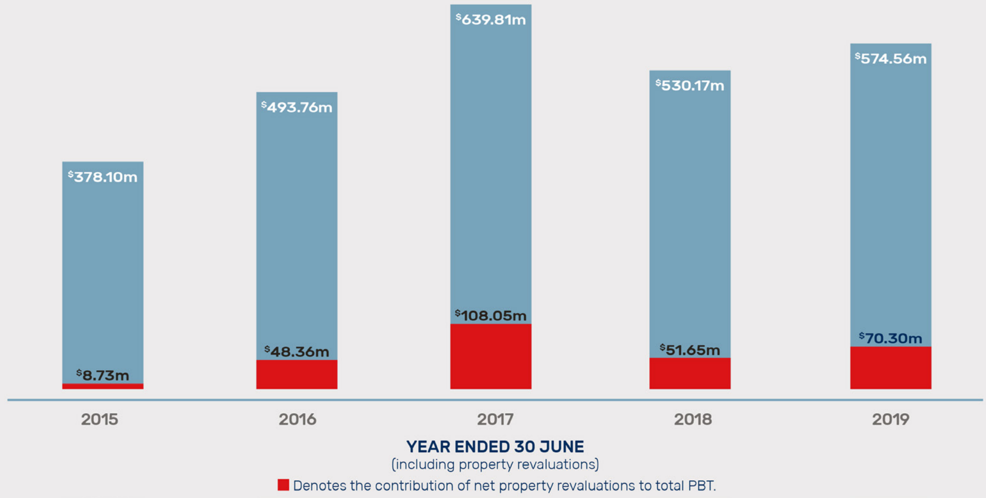
REPORTED PBT YEAR ENDED 30 JUNE 2019

net profit before tax **$574.56m** | up by **8.4%**

compared to $530.17 million for FY18

PROFIT BEFORE TAX AS REPORTED ($M)

(Including net property revaluations)



The main factors contributing to the $44.39 million (or +8.4%) increase in PBT were:

1. **$13.57 million increase in the profitability of the overseas company-operated retail stores to $129.70 million in FY19, up +11.7% from $116.13 million in FY18.**
   The increased contribution from each region included:

- **Singapore & Malaysia +$12.04 million (+48.1%)** – The 18 Harvey Norman® stores in Malaysia are thriving, having benefitted from a full year's trade of the relaunched Flagship store at Ikano, Kuala Lumpur (Nov 2017) and Viva City Mega Mall in Kuching, Sarawak (Dec 2017) in addition to two new store openings at Paradigm Mall in Johor (Jul 2018) and Miri Times Square at Miri, Sarawak (Apr 2019). The Malaysian business is on track with its expansion plans, with the intention of opening five new sites within the next six months. The Flagship store at Millenia Walk, Singapore, continues to dominate, being the premium, destinational shopping experience in the Home & Lifestyle market in Singapore. There has been a marginal growth in sales in Singapore, despite the closure of the Square Two store in Dec 2018, due to a full year's trade of the expanded, full-format stores at Parkway Parade and North Point City, in addition to the sustained strong sales performance of the Millenia Walk Flagship since its launch in Dec 2015. Local management remain focussed on improved productivity and cost containment, in light of the macroeconomic challenges in Singapore.

- **Ireland & Northern Ireland +$6.39m (+452%)** – Retail sales of the 13 Harvey Norman® stores in Ireland showed double-digit growth across all key product categories, bolstered by the success of the Flagship store at Tallaght, Dublin since July 2017. The consolidated entity is on track to open two new stores in Ireland during FY20 in Galway and Sligo. In Northern Ireland, the Flagship store on the iconic Boucher Road continues to report sales growth in a difficult trading environment.

INVESTING
IN INNOVATION AND FUTURE DEVELOPMENT

We are people-led and technology empowered. Investing in our technology is important - and investing in our franchisees is a strategic priority - enabling a seamless retail experience.

earnings per share of

34.70c

up by 4.5% on previous year

- **Slovenia & Croatia +$0.06m (+0.8%)** - With pleasing market share growth in Croatia, the consolidated entity plans to open three new stores within the next three years.

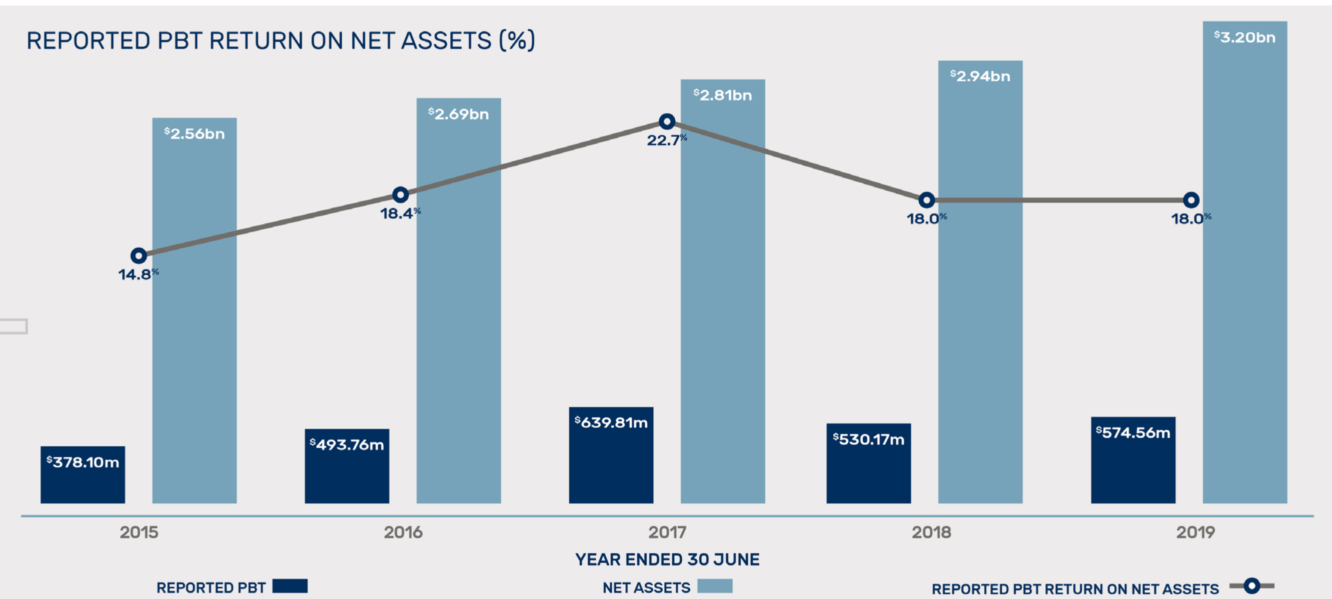
- **Offset by New Zealand -$4.91 million (-6.0%)** - The Flagship store at Wairau Park, North Auckland, has now been open for a full year, and has seen good sales increases since its relaunch. The New Zealand economy has been challenging, but is showing signs of improvement. Total income margins have moderated, coupled with increased operating expenses, resulting in a reduction in the profitability of the New Zealand retail segment in FY19.

2. **$16.11 million increase in the overall property segment result to $204.68 million, up +8.5% from $188.57 million in FY18.**
   This increase is mainly derived from an $18.66 million, or +36.1%, increase in the net property revaluation increment from $51.65 million in FY18 to $70.30 million in FY19, higher rents and outgoings collected from property segment assets, offset by higher borrowing costs due to the increased utilisation of debt facilities for property acquisitions.

3. **$12.51 million increase in the profitability of the equity investments segment to $18.40 million in FY19, up +213% from $5.88 million in FY18.**
   The increase relative to prior year primarily related to a realised gain of $17.51 million recognised by the consolidated entity upon the sale of its shareholdings of equity investments during FY19.

4. **$36.33 million reduction in the losses incurred by the non-core joint ventures included in the 'Other' segment and 'Other Non-Franchised Retail' segment to a net loss of ($26.62) million in FY19, from a net loss of ($62.95) million in FY18.**
   This was mainly due to lower impairment losses by $41.20 million recognised in respect of the Coomboona JV, as the consolidated entity divested out of Coomboona during the year. The FY19 result incorporated a final impairment expense of $8.25 million upon the completion of the Administrator sale in January 2019. The FY18 result included Coomboona impairment expenses of $49.44 million, relating to the $20.67 million impairment of the investment in the Coomboona JV in December 2017 and the estimated shortfall in the recoverability of loans advanced to Coomboona of $28.78 million, in addition to the Coomboona JV equity-accounted trading losses of $4.57 million in the previous year.
   This was offset by a $4.29 million increase in the trading and restructure losses relating to the KEH Partnership Pty Limited (KEH), a retailer of school apparel, education goods and technology equipment through the brand name of The School Locker. Following the restructure of KEH on 1 July 2018, the consolidated entity's partnership interest was 99.02%.

5. **Offset by a ($34.14) million decrease in the profitability of the franchising operations segment to $248.40 million in FY19, down -12.1% from $282.54 million in FY18.**
   Aggregated franchisee headline sales revenue reduced by -1.8% to $5.66 billion in FY19, or down by -0.9% to $5.63 billion on a comparable sales basis – a solid result from franchisees in light of the soft discretionary retail market in Australia. Franchisees have invested in their people, technology and logistics to enhance their operating capabilities and to bolster their future growth and development. The franchising operations segment was negatively impacted by a reduction in revenue received from franchisees by ($21.82) million to $943.65 million in FY19, down by -2.3% from $965.47 million in FY18. There has been a rise in the operating expenses of the franchisor to monitor and evaluate compliance with franchise agreements.



offshore retail revenue of over

$2bn

for the first time

offshore profit

23%

of consolidated profit before tax

Net Profit After Tax (NPAT) & Non-Controlling Interests

Net profit after tax (NPAT) and non-controlling interests **increased by 7.2%, or $26.94 million, to $402.32 million** for the year-ended 30 June 2019, from $375.38 million in the previous year. The effective income tax rate for the year-ended 30 June 2019 was 28.81% compared to an effective income tax rate of 28.32% for the year-ended 30 June 2018.

Offshore Company-Operated Retail Segment

Overseas Businesses Continue to Thrive and Outperform in their Local Markets

RECORD FY19 OFFSHORE RETAIL SALES REVENUE OVER **$2.0 billion**

OFFSHORE PROFIT **23%** OF TOTAL PROFIT BEFORE TAX

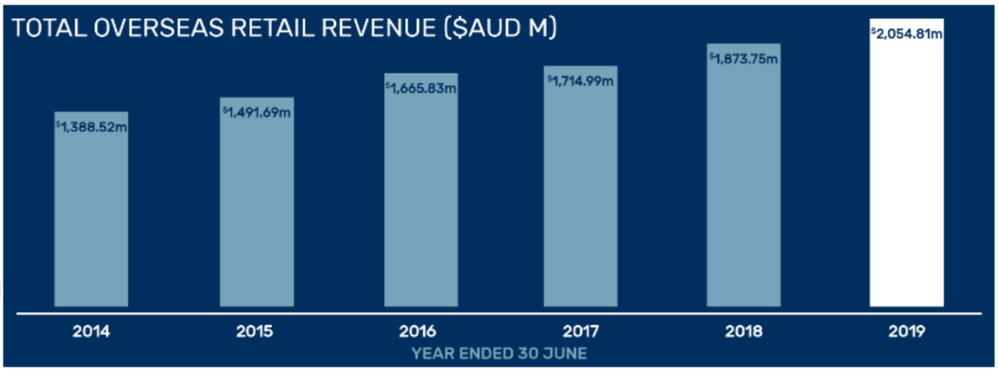
FIRST TIME OVER $2bn

Our brand continues to grow and evolve in our overseas territories, with 90 Harvey Norman® branded stores that are company-owned and company-operated – boosting our position as a leader in global retail. With a great strength and diversity of offerings, it's difficult to find a competitor in the global market that operates as effectively as we do across a similar array of product categories.

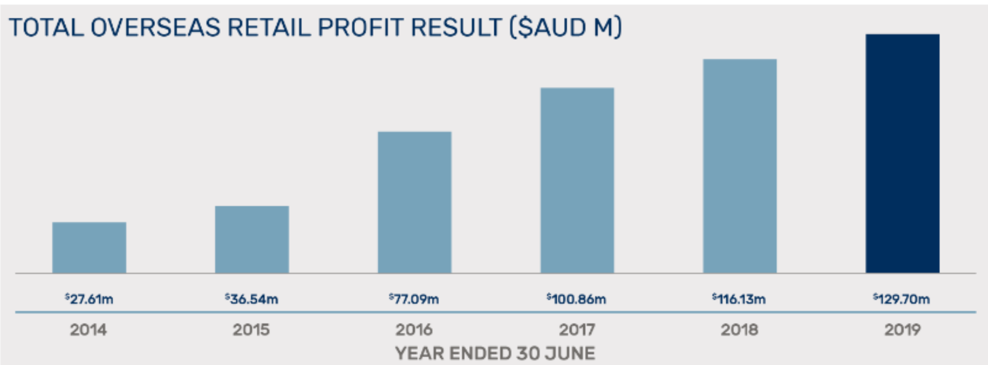
The Flagship stores in each of these territories have proven their exceptional qualities as a peerless shopping destination and innovators in the retail experience. The Flagships have successfully elevated brand awareness and consumer traction to the existing network of stores in the region, continuing to provide a positive 'halo-effect' to other stores near or far. Many of the outcomes from these developments have led to our store reinvigoration strategy, where key elements of the Flagships have been adapted and implemented in a selection of smaller, full-format stores in Singapore, Malaysia, Slovenia and Ireland.

With the success of this strategy in Asia, we'll see future transformations of selected stores around the globe – with locations in Australia, New Zealand and Ireland already earmarked for reinvigoration.

The graph below represents the aggregate value of overseas retail revenue achieved over the past five years. Total aggregated company-operated retail sales and other revenue for the 90 Harvey Norman® branded stores overseas and the 2 Space Furniture® branded stores in Asia have surpassed the $2 BILLION milestone during the 2019 financial year, with each country delivering pleasing sales growth year-on-year. **Total overseas retail revenue grew by $181.06 million, or 9.7%, to $2.05 billion** relative to $1.87 billion in the 2018 financial year.



UP BY **48%** OVER THE LAST 5 YEARS

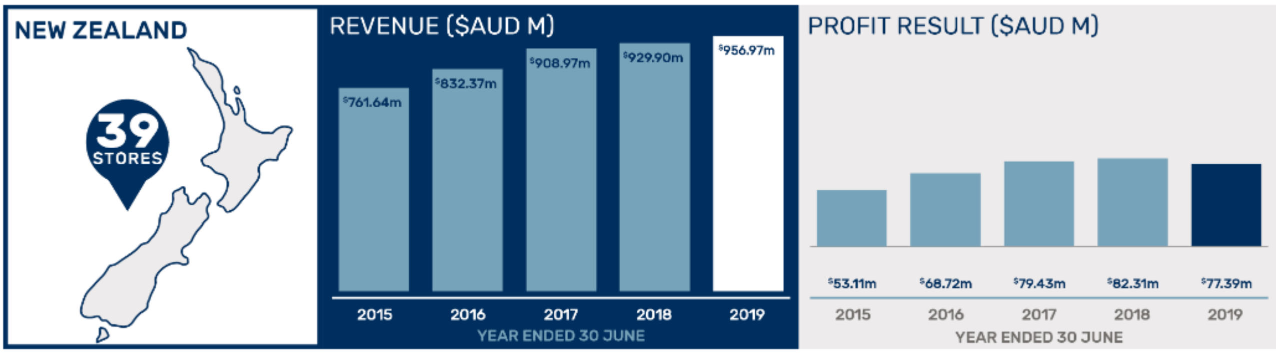


UP BY **370%** OVER THE LAST 5 YEARS

Offshore Company-Operated Retail Segment (continued)

The result before tax for the overseas company-operated retail segment increased by $13.57 million, or 11.7%, to $129.70 million for 2019 financial year, from $116.13 million in 2018 financial year. The offshore businesses now represent 23% of the total consolidated profit before tax for the 2019 financial year.

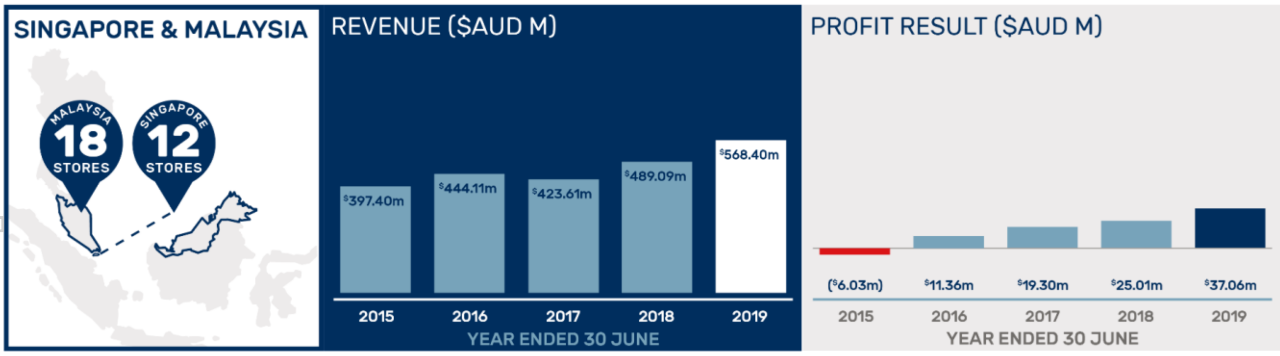
The overseas retail profit result graph on the previous page shows the profit trajectory of the 90 Harvey Norman® branded stores overseas and the 2 Space Furniture® branded stores over the last 5 years. In 2014, the aggregate offshore result was only $27.61 million representing less than 10% of the profit result in that year. Offshore profitability has grown by 370% over the last 5 years to $129.70 million and now comprises nearly a quarter of profit for the 2019 financial year. During 2019, each country reported an improvement in profitability with the exception of New Zealand, which recorded a moderate decline in profitability predominantly attributable to the challenging macroeconomic conditions in the New Zealand market.



The Flagship store at Wairau Park, North Auckland, has now been open for a full year, with notable sales increases over that period. The success of the Flagship concept has resulted in the creation of a retail environment that is second-to-none in Auckland, promoting modest sales growth throughout the existing stores in the New Zealand market. This has resulted in another record sales year in NZ dollars, where the 39 market-leading Harvey Norman® company-operated stores generated sales of just under $NZ 1 BILLION, with retail sales rising to $NZ997.75 million, up by 1.1% or $NZ10.55 million, from $NZ987.20 million in the previous year.

This was particularly noteworthy due to the continuing headwinds faced by the New Zealand economy which is still struggling to gain momentum. NZ retail spend has been dampened by the prolonged cooling of the housing market, net migration decrease and subdued consumer and business confidence permeating the economy. Translated into Australian dollars, sales revenue increased 2.8%, or $25.57 million, to $935.10 million in the 2019 financial year. There was a 1.72% appreciation of the New Zealand dollar relative to the Australian dollar during the current year.

Focus on cost control, improvements in productivity and strong supplier relationships have been integral to NZ's success since its commencement in 1997. However, the combination of margin pressure and higher operating expenses to maintain and grow market share has resulted in a reduction in the retail result in New Zealand by $4.91 million, or 6.0%, to $77.39 million for the year ended 30 June 2019, down from $82.31 million in the previous financial year.



This segment is comprised of 12 Harvey Norman® stores in Singapore, 18 Harvey Norman® stores in Malaysia and the Space Furniture® branded lifestyle stores in Singapore and Malaysia.

We are proud of our successful expansion into Asia and we now have 30 Harvey Norman® stores in Asia that have transformed the brand to new heights, making it synonymous with affordable luxury and a premium, lifestyle offering. Last year, we announced our proposed expansion plans in Southeast Asia, which were predominantly in Malaysia where we had expected to open 9 new Harvey Norman stores by the end of 2020. We have already opened two stores in Malaysia during the 2019 financial year in Paradigm Mall in Johor (July 2018) and Miri Times Square at Miri, Sarawak (April 2019), and we now intend to open a further 7 new stores in Malaysia in the 2020 financial year. The opening of the Miri Times Square store is our second full-format store in East Malaysia, and is expected to pave the way for future growth in that region.

Aggregated sales revenue for the Harvey Norman® and Space Furniture® brands combined exceeded the HALF-A-BILLION milestone during the year with retail sales of $S542.69 million in local currency, up by 9.0%, or $S44.77 million, from $S497.92 million in the 2018 financial year.

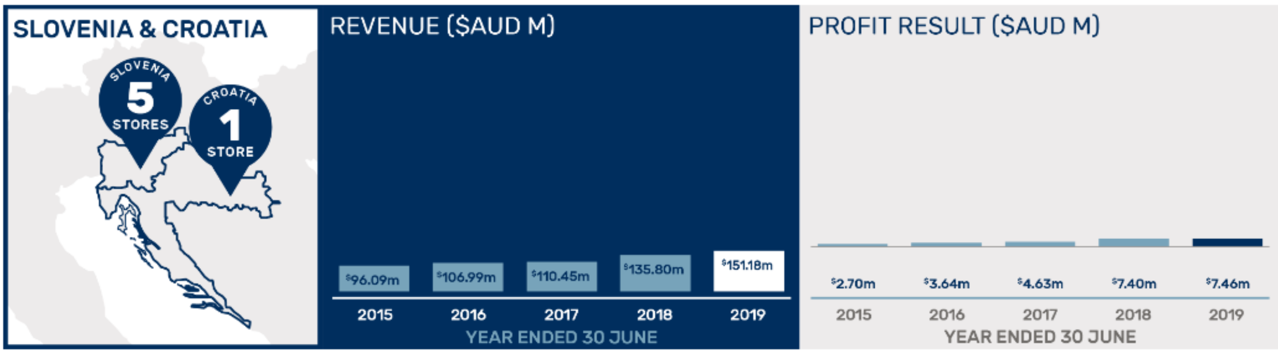
Offshore Company-Operated Retail Segment (continued)

In Singapore, there were 12 Harvey Norman® stores as at 30 June 2019 with the closure of the Square Two store in December 2018. Despite the closure, there has been a marginal growth in sales in Singapore due to a full year's trade of the expanded, full-format stores at Parkway Parade and North Point City, with both stores having been augmented with the best elements of the Flagship concept as part of its expansion last year, in addition to the sustained strong sales performance of the Millenia Walk Flagship since its launch in December 2015. Singapore sales revenue increased in local currency by $S3.82 million, or 1.2%, to $S334.10 million for the 2019 financial year, from $S330.28 million in the previous year. The 6.53% appreciation of the Singapore dollar during the year boosted this increase to $24.63 million, or 7.8%, to sales of $341.97 million in Australian dollars.

Our Malaysian business is thriving and sales revenue from the 18 Harvey Norman® branded stores in Malaysia were exceptionally strong this year, with the Ikano, Kuala Lumpur Flagship store being the shining light delivering significant double-digit growth since its launch in November 2017. The positive halo-effect of the Ikano Flagship is prominent, elevating the market recognition of the brand and having an encouraging flow-on effect throughout the region. Sales were assisted by the two new store openings and a full-year's trade of the Viva City Mega Mall in Kuching, Sarawak that opened in December 2017, in addition to the temporary reprieve from GST obligations introduced by the Malaysian government for the first few months of the 2019 financial year. Sales in Malaysia grew by $S40.26 million, or 26.4%, to $S192.58 million for the 2019 financial year, from $S152.33 million in the previous year. Translated to Australian dollars, the sales increase was $50.76 million, or 34.7%, to $197.12 million.

Sales revenue for the Space Furniture® brand in Singapore and Malaysia combined remained consistent with the previous year.

The segment profit result of the two brands in Asia was $37.06 million for the year ended 30 June 2019 compared to a segment result of $25.01 million in the previous year, an increase of $12.04 million, or 48.1%. This is an excellent result in a highly competitive market.



Since the launch of the Flagship store at BTC City, Ljubljana in June 2017, we have seen some of the key innovations and developments of that process filter through to other stores, with marked improvements in the effectiveness of marketing campaigns, improved in-store product displays and merchandising, and a sizable increase in brand awareness. The Ljubljana Flagship store continues to deliver an unparalleled, immersive shopping experience in Slovenia and the greater Central European region.

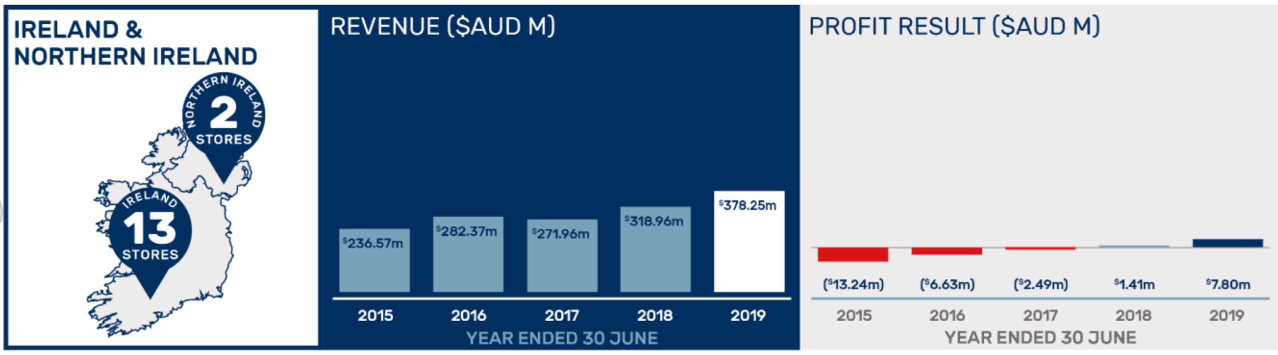
Sales revenue from the 5 company-operated stores in Slovenia increased €5.98 million, or 9.0%, to €72.54 million for the 2019 financial year, up from €66.56 million in the previous year. The positive sales growth was achieved across all stores. Translated into Australian dollars, sales revenue increased $13.29 million, or 13.0%, to $115.69 million, assisted by a 3.67% appreciation of the Euro relative to the Australian dollar during the year.

The retail result in Slovenia was a profit of $6.88 million for the year ended 30 June 2019, an increase of $0.23 million, or 3.5%, from $6.65 million profit in the previous year.

The relaunch of the Zagreb store in Croatia as a Flagship opened in October 2018. Sales revenue increased €0.46 million, or 2.2%, to €20.83 million for the 2019 financial year, from €20.38 million in the previous year. Translated into Australian dollars, sales revenue increased 6.0%, or $1.88 million, to $33.23 million.

Croatia has now been profitable for three full financial years, with a profit of $0.58 million in the 2019 financial year, a slight reduction from the profit of $0.75 million in the 2018 financial year. This year, profitability was impacted by the renovation disruption in the first quarter prior to the launch of the Flagship in October 2018. As there is currently only one store in Croatia, the business could not reap the flow-on benefits of a Flagship as seen in other countries, although it is now in an upward trajectory with pleasing market share growth. There are plans to open three new stores in Croatia within the next three years.

Offshore Company-Operated Retail Segment (continued)



Ireland:

In Ireland, sales revenue from the 13 company-operated stores **increased €28.15 million, or 14.6%, to €220.44 million** for the 2019 financial year, up from €192.30 million in the 2018 financial year. Comparable store sales growth were also strong, increasing by €27.24 million or 14.2% during the year. Translated into Australian dollars, **sales revenue increased by $55.74 million, or 18.8%, to $351.59 million,** from $295.84 million in the previous year, assisted by a 3.67% appreciation in the Euro relative to the Australian dollar during the year. Retail sales showed double-digit growth across all key product categories, with the associated increases in market share.

The ongoing success of the Tallaght Flagship has continued to produce positive flow-on effects to the existing store base with each of the stores in Ireland growing sales during the year. We continued to invest in our store network with the refurbishment of Cork and Limerick showrooms.

During the 2020 financial year, we plan to open two new stores in Galway and Sligo. The Galway store will be a 60,000 sq. ft. store and will anchor the second phase of the Gateway Retail Park in Knocknacarra on the west side of Galway city. The store will trade over two levels and will include a modern and vibrant restaurant with stunning views towards Galway Bay. The Sligo store will be 43,600 sq. ft. and will be located at Sligo Retail Park, Carraroe, Sligo. Both stores will provide the large, full-format offering to our customers.

We continue to invest in our warehousing and logistics capabilities. We intend to open a state-of-the-art warehouse for the electrical category in Dublin which will provide warehousing, installation and delivery services to our seven Dublin metropolitan electrical categories. One of our key initiatives is to grow the digital capability of the Irish business. Ongoing investment in our digital platform, significant growth year-on-year in online traffic and a focus on engaging, high-quality content on the Irish site has aided both the online and offline businesses.

The retail trading environment in Ireland remains upbeat. Employment levels have reached a record high and net inward migration has increased. Construction activity has continued apace with house completions forecasted to grow by 24% in the next 12 months. There are headwinds looming with the extension of the Brexit deadline to 31st October 2019. The heightened uncertainty following the changes in the UK Government has the potential to dampen consumer confidence.

The retail segment result in Ireland generated a **profit of $8.05 million for the 2019 financial year**, compared to $1.98 million in the previous year, **a remarkable improvement of $6.07 million or 307%** on the previous year's profit of $1.98 million.

Northern Ireland:

Sales revenue from the two company operated stores in Northern Ireland **increased by £0.19 million, or 1.9%, to £10.26 million** for the 2019 financial year, from £10.07 million in the previous year. Translated into Australian dollars, sales **increased by $1.09 million, or 6.2%, to $18.57 million**.

The Flagship store on the iconic Boucher Road continues to report sales growth in a very difficult trading environment. The March 2019 launch of the new Premium Bedding Gallery in the Flagship has shown signs of an uplift in growth, and we will see the full impact of this change in the coming year.

The retail trading environment continues to be difficult as the political and economic uncertainty caused by Brexit has negatively impacted consumer confidence.

The 2 company-operated stores in Northern Ireland incurred a small trading loss of $0.25 million for the current year, a modest improvement from the trading loss incurred in the previous year of $0.57 million.

Other Non-Franchised Retail

The non-franchised retail segment consists primarily of retail and wholesale trading operations in Australia which are wholly-owned, controlled or jointly-controlled by the consolidated entity and does not include the operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisee.

Total revenue for the other non-franchised retail segment was $227.26 million for the year ended 30 June 2019, an increase of $67.44 million, or 42.2%, from segment revenue of $159.82 million in the previous year.

The result for the non-franchised retail segment was a loss of $16.67 million for the 2019 financial year, compared with a loss of $11.17 million for the previous year, a deterioration of $5.50 million from the loss recorded in the previous year.

The other non-franchised retail segment includes the operations of the KEH Partnership Pty Limited (**KEH**), a retailer of school apparel, education goods and technology equipment through the brand name of The School Locker. Up to 30 June 2018, the consolidated entity, through a wholly-owned subsidiary, had a 50% interest in the KEH business (**Partnership**) and had accounted for its interest as an equity-accounted joint venture entity.

Effective 1 July 2018, a wholly-owned subsidiary of Harvey Norman Holdings Limited acquired all of the inventory assets of KEH. Subsequently, there was a restructure of the KEH business where, by unanimous agreement in writing, each partner in the Partnership agreed to vary the interest of the respective partners in the Partnership, with the consolidated entity increasing its partnership interest in the Partnership to 99.02%.

From 1 July 2018, the consolidated entity's interest in the Partnership was 99.02% and, from that date, the consolidated entity ceased equity accounting and consolidated the financial statements of KEH, resulting in the following accounting implications for the year ended 30 June 2019:

- the line-by-line consolidation of the financial statements of KEH into the financial statements of the consolidated entity from 1 July 2018;
- the cessation of equity accounting and the unwinding of any equity-accounted transactions from 1 July 2018;
- for consolidation purposes, the elimination of any commercial loans advanced to KEH and the reversal of any cumulative impairment expenses recognised to date in respect of the expected shortfall on the repayment of the KEH loan receivable.

The financial impact of the KEH restructure on the revenues and results reported in the other non-franchised retail segment were as follows:

- the recognition of revenues of $67.00 million in FY19 compared to nil in FY18;
- the recognition of impairment expenses of $0.15 million in FY19 compared to $16.92 million in FY18;
- the recognition of the trading losses of The School Locker business of $11.40 million for FY19; and
- the recognition of a further loss of $9.67 million in FY19 on the restructure and consolidation of KEH, being the difference in the carrying amount of the loan receivable from KEH in the consolidated entity's financial statements of $40.14 million and the fair value of the loan payable in KEH's financial statements of $30.47 million.

Refer to Note 30. Business Combinations on page 56 for further information regarding the restructure of KEH.

Other Segment

The Other segment is primarily comprised of credit facilities provided to related and unrelated parties, other unallocated income and expense items and the equity-accounted joint venture investment in Coomboona Holdings Pty Limited (**CHPL**), that was the subject of the Administrator Sale during the 2019 financial year. The Other segment recorded a loss of $9.95 million for the year ended 30 June 2019 compared to a loss of $51.78 million in the previous financial year, an improvement of $41.83 million. This was mainly due to lower impairment losses by $41.20 million recognised in respect of the Coomboona JV, as the consolidated entity divested out of the Coomboona business during the current year.

HNM Galaxy Pty Limited, acting in its capacity as trustee of the HNM Galaxy Unit Trust (**HN JV Entity**), holds 49.9% of the issued shares in CHPL. CHPL holds all of the issued shares in companies which carried on the business of dairy farm operations, land ownership and a pedigree breeding and genetics division in Northern Victoria (the **Coomboona JV**).

On 27 February 2018, the HN JV Entity demanded that the Coomboona JV repay outstanding indebtedness due by the Coomboona JV to the HN JV Entity. The poor trading performance of the Coomboona JV, the notice provided by the HN JV Entity to the Coomboona JV to demand repayment of the outstanding indebtedness, in addition to the dispute between the HN JV Entity and the other JV partner to the Coomboona JV regarding the future direction of the Coomboona JV, resulted in the appointment of Ferrier Hodgson as administrators of CHPL and subsidiaries of CHPL (**Administrators**) on 23 March 2018.

In the 2018 Annual Report, the consolidated entity reported that the total indebtedness of CHPL to its creditors Network Consumer Finance Pty Limited (**NCF**) (for the assignment of the commercial loans previously owed by the Coomboona JV to National Australia Bank Limited (**NAB**)) and the HN JV Entity, both wholly-owned subsidiaries of Harvey Norman Holdings Limited, as at 30 June 2018 amounted to $74.99 million as follows:

- *NCF - first-ranking secured creditor:* the total value of commercial loans granted to the Coomboona JV by NCF of $36.28 million;
- *HN JV Entity - second-ranking secured creditor:* the total value of commercial loans granted to the Coomboona JV by the HN JV Entity of $38.71 million, repayable on demand.

Other Segment (continued)

The recoverable amount of the indebtedness of CHPL to NCF and the HN JV Entity, totalling $74.99 million in aggregate, was assessed as at 30 June 2018. An impairment loss of $28.78 million was recognised in June 2018 to reduce the carrying amount of the Coomboona JV non-trade receivables to its recoverable amount. The estimated recoverable amount of the Coomboona JV non-trade receivables, net of any impairment provisions, was $46.21 million as at 30 June 2018.

In August 2018, the Administrators commenced an orderly sale process for the sale of the Coomboona JV assets (**Administrator Sale**). Expressions of interest were received and reviewed by the Administrator. On 31 October 2018, the Administrators advised the consolidated entity that the property, the subject of the NCF Securities and HN JV Entity Securities in respect of the NCF and HN JV Entity receivables, had been sold for $44.10 million to Australian Fresh Milk Holdings Pty Limited (**AFHM**).

On 16 January 2019, the Administrator Sale was completed and the Contract for Sale settled. The secured creditors received net proceeds on sale of $40.50 million for the full discharge of the NCF receivables and the partial discharge of the HN JV Entity receivables. After taking into account the net sales proceeds, a further impairment expense of $8.25 million was recognised in December 2018 to reduce the value of the HN JV Entity receivables to its estimated recoverable amount.

There were no further material transactions pertaining to the Coomboona JV subsequent to the completion of the Administrator Sale.

Equity Investments

There was an increase in the profitability of the equity investments segment, growing by $12.51 million to $18.40 million in the 2019 financial year, up from $5.88 million in the 2018 financial year. This was primarily due to a $17.51 million realised gain on sale of equity investments in Australia during the year.

Auburn, Sydney
(Australia Flagship complex)

THE FRANCHISING OPERATIONS SEGMENT IN AUSTRALIA

Harvey Norman Holdings Limited (HNHL) and subsidiaries of HNHL own valuable intellectual property rights, including the trade marks Harvey Norman®, Domayne® and Joyce Mayne®, software and other confidential information to promote and enhance the brands.

A subsidiary of HNHL (a franchisor) grants separate franchises to independent franchisees to use the Harvey Norman®, Domayne® or Joyce Mayne® trade marks in Australia and to conduct the retail business of the franchisee at or from a store within a particular branded complex, pursuant to the terms of a franchise agreement.

195 Franchised complexes in Australia trading under the Harvey Norman®, Domayne® and Joyce Mayne® brand names.

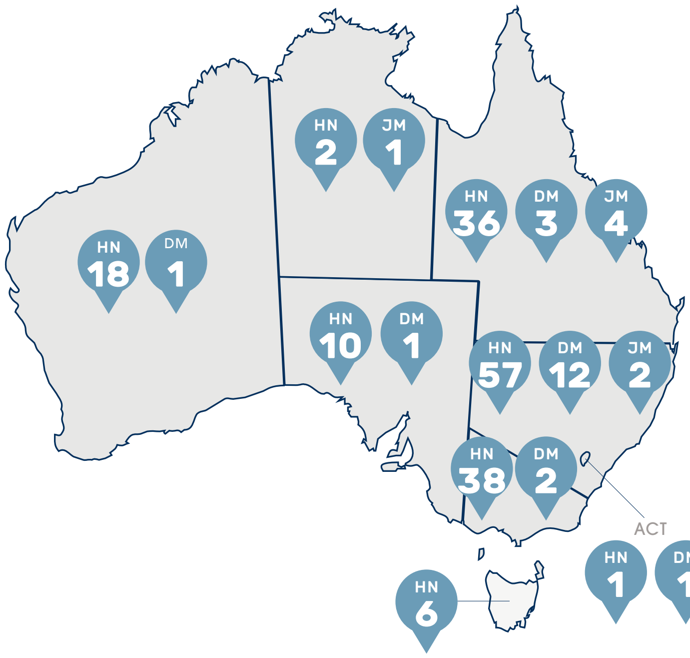
Each franchisee owns and controls the franchisee business of that franchisee. Each franchisee has control over the day-to-day operations of the franchisee business and has the discretion and power to make the decisions necessary to drive sales, control floor margins and contain operating costs to maximise profitability of the franchisee business.

Each franchisee pays franchise fees to a franchisor pursuant to a franchise agreement between that franchisee and that franchisor.

The franchising operations segment in Australia captures and records the franchisee fees received from franchisees including gross franchise fees, rent and outgoings for the use of a branded complex and interest on the financial accommodation facility that is made available to each franchisee.

540 Number of franchisees who are responsible for the day-to-day management and control of their respective franchisee businesses

The franchising operations segment also includes the costs of operating the franchised system and monitoring and evaluating the performance and compliance of franchisees with their franchise agreements.



Harvey Norman®
168 FRANCHISED COMPLEXES

DOMAYNE®
20 FRANCHISED COMPLEXES

JOYCE MAYNE®
7 FRANCHISED COMPLEXES

Franchising Operations Segment

The franchising operations segment revenue was $838.67 million in the 2019 financial year, down by $19.03 million, or 2.2%, from $857.69 million in the 2018 financial year, primarily due to a decrease in revenues received from franchisees in 2019 relative to 2018.

Revenue received from franchisees decreased by 2.3%, or $21.82 million, to $943.65 million in the current year from $965.47 million in the previous year, mainly attributable to a 1.8% reduction in headline aggregated franchisee sales revenue to $5.66 billion in FY19, or a reduction of 0.9% on a comparable franchisee sales basis.

Presentation of Tactical Support Payments Under AASB 15

The first-time application of the new accounting standard, AASB 15 Revenue from Contracts with Customers, required the consolidated entity to recognise revenue received from franchisees based on the amount it expects to receive in exchange for the provision of franchising operations' activities to franchisees, pursuant to a franchise agreement. AASB 15 required tactical support payments to be netted off against gross franchise fees received.

AASB 15 had no impact on the franchising operations segment result with the effect being a reclassification from expenses to a reduction in franchising operations segment revenue. Tactical support payments to franchisees protect, enhance and promote the Harvey Norman®, Domayne® and Joyce Mayne® brands, and are an expense of the franchisor to assist a franchisee, as required from time-to-time at a franchisor's discretion, to effectively compete in their local markets.

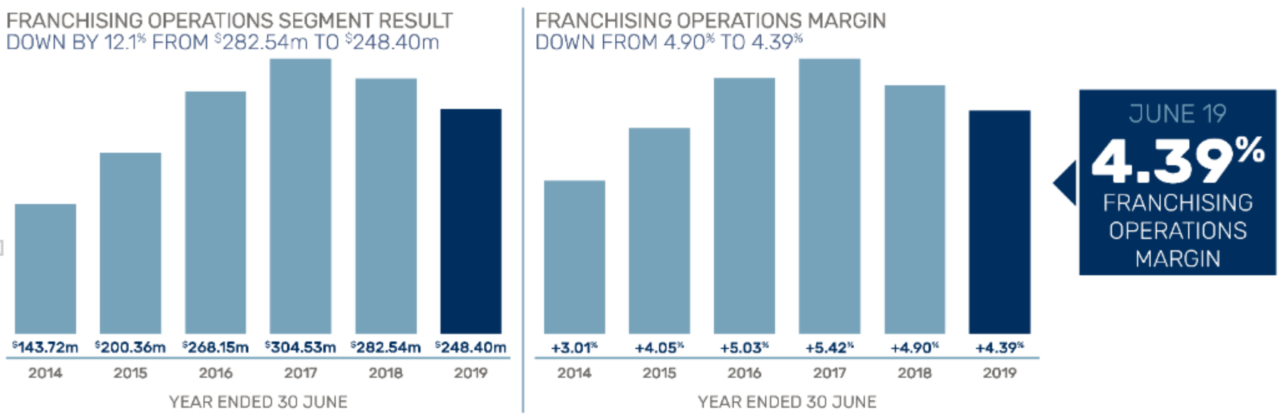
The consolidated entity has adopted this standard from 1 July 2018 and has applied the standard retrospectively, adjusting the comparative information for consistency.

The Franchising Operations Margin (%)

The franchising operations margin is calculated as the segment result before tax of the franchising operations segment over Australian franchisee aggregated sales revenue.

The franchising operations segment result decreased by $34.14 million, or 12.1%, to $248.40 million in the year ended 30 June 2019 from $282.54 million in the previous year. This decrease is due to the reduction in franchising operations segment revenue by $19.03 million, or 2.2%, as described above. There has been a rise in operating expenses of the franchisor to monitor and evaluate compliance with franchise agreements.

The franchising operations margin moderated from 4.90% in FY18 to 4.39% in FY19, a reduction of 51 basis points.



FRANCHISING OPERATIONS SEGMENT ANALYSIS BY HALF YEAR	Half Year Ended 31 December			Half Year Ended 30 June			Full Year Ended 30 June		
	2016	2017	2018	2017	2018	2019	2017	2018	2019
# Franchised complexes in Australia	193	195	195	194	195	195	194	195	195
Franchising operations segment result	$172.13m	$167.21m	$158.47m	$132.41m	$115.33m	$89.93m	$304.53m	$282.54m	$248.40m
Franchisee aggregated sales revenue	$2.86bn	$3.00bn	$2.95bn	$2.75bn	$2.76bn	$2.71bn	$5.62bn	$5.76bn	$5.66bn
Franchising Operations Margin (%)	6.01%	5.57%	5.37%	4.81%	4.18%	3.32%	5.42%	4.90%	4.39%

Franchisee Sales Revenue Underpins the Franchising Operations Segment

Headline Australian franchisee aggregated sales revenue contracted by 1.8%, or $104.21 million, to $5.66 billion for the 2019 financial year, from $5.76 billion in the previous year. Comparable Australian franchisee aggregated sales revenue reduced by 0.9% to $5.63 billion for current year compared to $5.68 billion in the 2018 financial year.

Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman®, Domayne® and Joyce Mayne® in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results. Australian franchisee aggregated sales revenue are reported to the market as it is a key indicator of the performance of the franchising operations segment.

Retail sales in Australia remain subdued, impacted by the challenges faced by the residential housing market, and this was reflected in the aggregated sales revenue of franchisees in Australia.

AGGREGATED FRANCHISEE SALES REVENUE FY2019

TOTAL FRANCHISEE SALES	COMPARABLE FRANCHISEE SALES
JUNE 2019	JUNE 2019
$5.66bn DOWN BY 1.8%	$5.63bn DOWN BY 0.9%

Innovative Living in Australian Homes

2020 will be a breakout year for the continued growth of smart products in everyday Australian homes with Harvey Norman®, Domayne® and Joyce Mayne® franchisees continuing to invest in trading relationships, innovation and marketing that delivers a leading position with consumers. Voice activation has been a central feature of the Connected Smart Home this year. AI technology on home appliances such as smart refrigeration, laundry, vacuum cleaners have enhanced the Connected Home Ecosystem. Voice assisted devices are growing exponentially and are becoming a key consideration for consumers in their search for modern, integrated and connected products.

The audio-visual category of franchisees has again seen strong growth over the past year, with the launch of 8K televisions, which is a whole new viewing experience. 8K resolution offers a barrier-breaking performance from screens with four times the resolution of 4K to provide incredible detail, an outstanding picture quality and the brightest and most vivid colours. The demand for a high-quality home entertainment experience has also enabled growth in franchisees' audio sales, with voice enabled sound bars in demand.

Innovations in smart technology, features and colour have underpinned growth in the Home Appliance category. Slim capacity French Door refrigeration has created new growth in a category that continues to expand and premium cooking brands continued to innovate with steam and colour through their ranges which excited consumers. The importance of the kitchen in Australian homes continues to be reinforced by the comparable expansion of smart, innovative products by premium brand partners and the positive response from Harvey Norman®, Domayne® and Joyce Mayne® franchisees customers.

The relationship of Optus with Harvey Norman® franchisees has led to solid growth in the communication category and mobile phones specifically. The impending wave of new growth led by the introduction of 5G in Australia will create opportunity in the year ahead and beyond in this category. Portable Audio and its importance as a category was reinforced again by the emerging category of True Wireless headphones and bluetooth speakers featuring smart connectivity and voice.

The relationship of franchisees with leading global designer brands are delivering innovation in product, omni-channel presentation and customer experience. As consumers continue to invest in quality premium products for the home, franchisees are motivated to ensure that their offering exceeds expectation. The experience of connectivity, style, innovation and value in products and services is a roadmap for future growth.

Key Statistics and the Impact of the Housing Market on Retail Spending

The following key statistics have been provided as discretionary spending on Home and Lifestyle goods – the market in which our Harvey Norman®, Domayne® and Joyce Mayne® franchisees operate in - is fundamentally driven by population growth, household income, consumer confidence and activity in the Australian residential property market.

Population growth presently remains robust with the Australian resident population increasing by 411,000 in the 12 months to 30 June 2019 *(BIS Oxford Economics estimate)*, at which point the Australian population reached 25.4 million people. Net Overseas Migration (NOM) is the main driver of growth; over calendar year 2018, the ABS estimates that NOM was 248,400 or 61.4% of the increase in total population over the same period *(Australian Bureau of Statistics, cat. 3101.0)*.

Franchisee Sales Revenue Underpins the Franchising Operations Segment (continued)

Looking ahead, national population growth is expected to remain solid, with the Australian resident population projected to reach 27 million by the end of FY2023 *(BIS Economics forecast)*.

Over 296,000 new jobs were added between June 2018 and June 2019 *(Australian Bureau of Statistics, cat.6202.0)*. While growth in employment is above its historical average, it has been matched with a rise in the participation rate to a record high (from 65.7% in June 2018 to 66% in June 2019, *Australian Bureau of Statistics, cat.6202.0*). The unemployment rate has fallen marginally to 5.2% (June 2019) from 5.3% a year earlier *(Australian Bureau of Statistics, cat.6202.0)*. The RBA forecasted in May 2019 that the unemployment rate will be 4.8% by June 2021.

Conditions remain challenging for households with household income rising by only 2.3% year-on-year in the March 2019 quarter *(Australian Bureau of Statistics, cat. 5206.0)*. However it appears that Sydney and Melbourne dwelling prices have reached a trough (*CoreLogic monthly dwelling price series)*, which may limit any further negative wealth effects. Consumers remain moderately optimistic about the outlook, with the ANZ-Roy Morgan confidence index recording a net positive outlook (as at 30 June 2019) for the next twelve months.

Franchisees have invested in their people, technology and logistics to enhance their operating capabilities, and to bolster their future growth and development

Franchisees have performed solidly in this difficult retail climate and continue to be the dominant player in the domestic Home and Lifestyle market. Franchisees have invested in their people, their physical and digital fulfilment options and their logistical delivery capabilities.

Franchisees are focussed on driving customer engagement throughout the customer journey, from the start of the sales process, right through to the final delivery and beyond. Franchisees continue to recognise that the cornerstone of delivering superior experiences for their customers lies in the ongoing development of, and investment in, their people. Franchisees maintain a focus on ensuring their teams are well-equipped with the tools, knowledge and skills to deliver the attention and service their customers expect, from the moment they start their journey in-store or online to well beyond the fulfilment and delivery of their goods. This focus along with concerted efforts to ensure adequate service levels are present across their shop floors, and that their people are both adequately and fairly rewarded, have seen the financial investment in their people continue strongly throughout the 2019 financial year.

The delivery and fulfilment capabilities of franchisees have been enhanced, and are constantly evolving to enable a seamless retail experience and provide a multitude of fulfilment options to best suit their customers' needs. Their digital transformation is a necessary component of their investment strategy, providing real-time visibility and effective communication to optimise customer satisfaction.

Investment in their people, technology and logistics is a critical, bedrock component of their strategy to invest in innovation and future growth and development.

A MORE ENRICHED CUSTOMER EXPERIENCE

O2O STRATEGY

Customers of Harvey Norman®, Domayne® and Joyce Mayne® franchisees are increasingly tech-savvy, and are utilising technology today in ways that are very exciting, both in-store and in the online marketplaces. Franchisees strive to meet and exceed the insatiable digital expectations of their customers, and have embarked on the necessary digital transformations required to ensure that their Online-to-Offline (O2O) Strategy continues to evolve to enhance and optimise their service offering for their customers.

Supporting the O2O strategy, several initiatives were introduced, upgraded or enhanced during the 2019 financial year. Delivering these initiatives provides Harvey Norman® customers with a heightened experience, helps remove friction from their experience, and brings franchisees and their people into the technological ecosystems created by providing them with tools that build richer connections and encounters with, and for, their customers.

- **Buy Now Pay Later (BNPL)**
  Latitude Financial Services Australia Holdings Pty Ltd and its related bodies corporate (Latitude) are a long term key partner of Harvey Norman® in Australia and New Zealand, providing a suite of popular Interest Free financing solutions to consumers. In December 2018, Latitude acquired GenoaPay, a New Zealand based BNPL provider. Following the acquisition, Harvey Norman® New Zealand was the first major national retailer to launch GenoaPay in April 2019, giving customers the ability to convert eligible purchases into a 10 week instalment plan, with no interest or extra fees. GenoaPay takes the first instalment when the customer makes a purchase, with the remaining balance processed weekly. Latitude is excited to announce that LatitudePay (based on GenoaPay) will be launched exclusively at Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia in September 2019.

- **Shippit Same Day Delivery Expansion**
  Expanding scheduled and same-day delivery of small-to-medium products to approximately 85 franchised complex locations Australia-wide will leverage the advantage of franchised complexes with inventory close to their customers. This service was previously only available out of a selected 13 franchised complexes.
  Same Day - Franchisees provide same-day delivery for metro customers across Australia. There is an option to select and receive a 3-hour delivery window between 4pm-10pm Monday to Friday. Orders must be placed prior to 1pm in order to schedule same day delivery.

  Scheduled - Scheduled delivery provides a flexible service that offers 4 delivery windows throughout the day (10am-1pm), (1pm-4pm), (4pm-7pm), (7pm-10pm) up to 2 weeks in advance.

- **1 Hour Click & Collect**
  Through strong reporting and CSAT (Customer Satisfaction), Harvey Norman® franchisees have successfully taken Click & Collect to a speedy 1-hour. The goal is to further drive this time to notification down with the use of better technology for notifications to and from the customer. Click & Collect is an increasingly popular medium used by Harvey Norman® customers and drives foot traffic to Harvey Norman® franchised complexes.

- **Mobile First**
  Harvey Norman® continues to invest effort in improving the mobile experience for customers via PWA (Progressive Web App) technology. Harvey Norman® franchisees are utilising this cutting-edge technology to optimise the customer experience on mobile to engage and inspire customers and drive franchisee sales growth.

- **Store Location Management System**
  The Harvey Norman location management service (LMS) continues to grow and evolve. An integral part of the O2O strategy, this service provides a single source of truth across all information services (Facebook, Google, Maps) for franchised complexes including location information, contact details, trading hours, and local events, allowing customers to easily obtain information about their nearest Harvey Norman® franchised complex. Most recently, store finder functionality has been switched over to the LMS, to again leverage the O2O strategy to improve the experience for customers of Harvey Norman® franchise outlets.

DELIVERY SERVICES AND FULFILMENT OPTIONS OF FRANCHISEES

Franchisees are investing heavily in physical assets in warehousing and logistics to enhance the Last Mile delivery experience for their customers. Home delivery service standards have been successfully implemented across all stores to provide customers with a delivery service option to best suit their needs. Franchisees are focused on driving customer engagement throughout the entire journey from the start of the sales process right through to final fulfilment.

Concerted efforts have been made by each Franchisee to invest in technology that will enhance warehousing capabilities and fulfilment offerings. There has been a focus on digital transformation to optimise their Last Mile delivery capabilities in order to effectively respond to the growth in demand for customer fulfilment services.

The delivery service offering of franchisees has been progressed over the 2019 financial year providing a seamless experience to the customer with the introduction, upgrade and enhancement of the following initiatives:

- **Home Delivery Services**
  Provide customers with a delivery service option to best suit their needs. Whether customers prefer a quick 'Store to Door' drop-off, a 'Delivery Plus' for a basic connection or a full 'Premium Delivery' service.

- **Delivery Vehicle Branding Standards**
  Ensuring that customers will not only enjoy transparency of the delivery process but will also experience an enhanced service offering with clean, branded trucks. Franchisees will continue to invest in high-quality delivery vehicles over the coming year to improve the quality of their service.

- **Driver Standards**
  Will complement the newly branded trucks, as delivery vehicle drivers will be uniformed with branded clothing and present themselves in a neat and tidy manner to customers.

- **Customer Warehouse Pickup**
  Provides customers with an enhanced experience when they choose to pickup bulky goods from the warehouse immediately after the purchase. Franchisees have invested in customer pickup areas at the warehouse through significant refits to accommodate the increase in demand.

In addition, several franchisees have launched the following initiatives:

- Trak by Harvey Norman®
  An investment by several franchisees in logistics technology to optimise route planning for deliveries and provide automated customer communication with real-time tracking. Additional franchisees in metropolitan areas will be looking to invest in this technology over the course of the coming year.
- Delivery Experience Survey
  Leverages the developing customer satisfaction framework for online to include a customer survey after the delivery through the Trak by Harvey Norman® platform. The quality of service from delivery drivers is critical to the overall customer experience and providing feedback to franchisees is critical to ensure an exceptional customer experience during the overall delivery process.
- Connected Driver
  Facilitates communication between driver and customer, where drivers in metropolitan areas will be equipped with devices during the year to enhance the service quality levels at the final stage of the delivery process.

Review of the Property Segment

Composition of the Property Portfolio

The robust property portfolio was valued at $2.99 billion as of 30 June 2019 and still continues to be the consolidated entity's driving point of difference and competitive advantage in the Australian market.

With a substantial, stable and diversified mix of tenants underpinning the retail centres, the resilient investment property portfolio keeps us a step-ahead and ready to respond to the evolving and dynamic needs of consumers. The physical complexes provide the flexible, large footprint needed to showcase the best on offer from global brands and demonstrate the maximum capabilities of those products to integrate and connect our busy day-to-day lives.

As at 30 June 2019, total property assets amounted to over 62% of the consolidated entity's total asset base of $4.80 billion. Growth in the property portfolio was mainly due to the continued solid market conditions in the large-format retail sector delivering capital appreciation during the year, the concerted focus on completing the Flagship strategy of the consolidated entity and the acquisition and refurbishment of other investment properties in Australia. The following tables represent the composition of property segment assets at each balance date and the number of owned and leased retail use properties as at 30 June 2019.

TOTAL PROPERTY SEGMENT ASSETS AS AT 30 JUNE	2017	2018	2019
Investment properties and Assets Held for Sale	$2.242bn	$2.429bn	$2.546bn
Owner-occupied land & buildings in New Zealand, Singapore, Slovenia, Ireland & Australia	$413.85m	$432.46m	$441.21m
Joint venture assets	$2.05m	$2.54m	$1.17m
TOTAL PROPERTY SEGMENT ASSETS	$2.66bn	$2.86bn	$2.99bn

OWNED & LEASED RETAIL USE PROPERTIES AS AT 30 JUNE 2019	# of owned retail use properties	# of leased retail use properties	Total
Australia: Franchised complexes	94	101	195
New Zealand	18	21	39
Slovenia	5	-	5
Croatia	-	1	1
Ireland	1	12	13
Northern Ireland	-	2	2
Singapore	-	12	12
Malaysia	-	18	18
TOTAL	118	167	285

Net Property Revaluation Adjustments

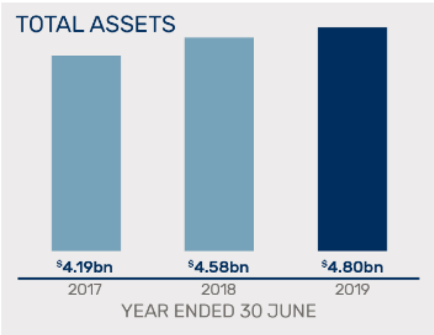
The investment property portfolio in Australia and properties held in joint venture entities are subject to a semi-annual review to fair market value. At each reporting period, one-sixth of the investment property portfolio is independently valued with the remaining five-sixths reviewed for fair value by Directors. The entire portfolio is independently valued every three years.

During the year ended 30 June 2019, thirty-nine (39) sites within the investment property portfolio in Australia were independently valued, representing 30.0% of the total number of sites and 37.7% of the fair value of the investment property portfolio in Australia. The balance of the portfolio was reviewed for comparability resulting in the preparation of internal valuations for eighteen (18) additional sites. The valuation for the current year resulted in a net increase of $69.29 million relating to investment properties in Australia and $1.01 million relating to New Zealand, compared to a net increase of $51.65 million in the previous year.

NET PROPERTY REVALUATION ADJUSTMENTS AS AT 30 JUNE ($ million)	RECORDED IN THE INCOME STATEMENT (Net Property Revaluation Increment)			RECORDED IN EQUITY (Asset Revaluation Reserve)		
	2017	2018	2019	2017	2018	2019
AUSTRALIA	$107.38m	$51.65m	$69.29m	$1.12m	-	-
NEW ZEALAND	-	-	$1.01m	$16.03m	$9.72m	$9.64m
SLOVENIA	$0.67m	-	-	$2.96m	$0.08m	$0.08m
SINGAPORE	-	-	-	-	$0.66m	($1.40m)
IRELAND	-	-	-	-	$2.76m	-
TOTAL	$108.05m	$51.65m	$70.30m	$20.11m	$13.22m	$8.32m

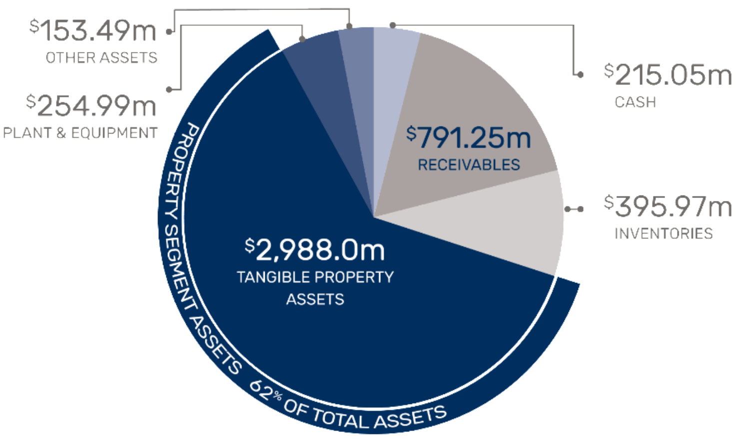
Review of the Financial Position of the Consolidated Entity

RECORD NET ASSETS EXCEED **$3 billion**



NET ASSET POSITION JUNE 2019
UP **8.8%**
TO **$3.20bn**

COMPOSITION OF TOTAL ASSETS OF $4.80bn



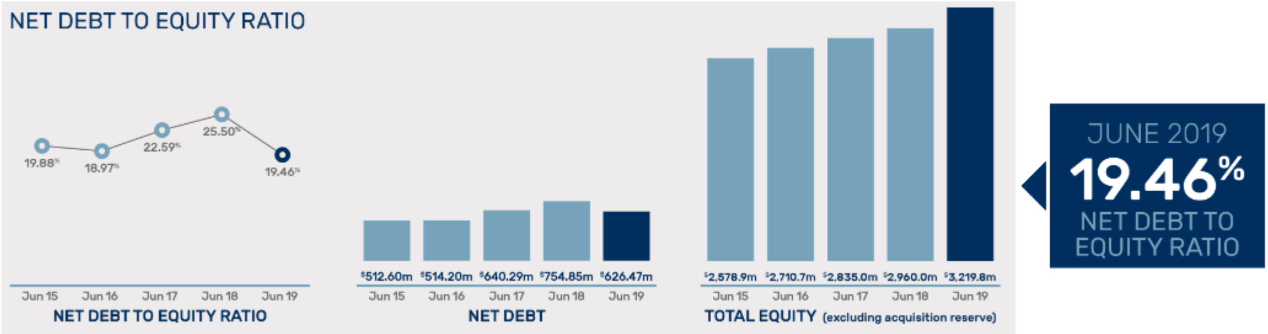
The consolidated entity has tangible property assets of $2.99 billion, representing 62% of the total asset base of $4.80 billion.

Total assets increased by 4.8%, or $221.10 million, to $4.80 billion as at 30 June 2019, from $4.58 billion in the previous year. The value of the investment property portfolio increased by $79.55 million, or 3.3%, to $2.51 billion as at 30 June 2019 primarily due to the net property revaluation increment of $70.30 million during the current year and the acquisition and refurbishment of other investment property assets during the current year. Inventories increased by $50.68 million, or 14.7%, due to store expansion overseas and the consolidation of The School Locker business of the KEH Partnership that was previously accounted for as an equity-accounted joint venture entity. Cash and cash equivalents increased by $44.50 million, or 26.1% relative to the previous year. Property, plant and equipment assets have increased by $35.87 million due to new and improved offshore retail locations, the refurbishment of Flagship stores and the continued investment in upgrading existing franchised complexes and company-operated stores to a high-quality standard.

Total liabilities decreased by $38.76 million, or 2.4%, to $1.60 billion as at 30 June 2019 from $1.64 billion in the prior year mainly due to lower utilisation of the Syndicated Facility and other external borrowings.

The consolidated entity is very pleased to report another solid net asset base, with robust growth of 8.8% during the year, or an increase of $259.86 million, to $3.20 billion as at 30 June 2019 from $2.94 billion as at 30 June 2018.

Net Debt to Equity Ratio



The overall debt levels of the consolidated entity remain within an acceptable range, with a **low net debt to equity ratio of 19.46% as at 30 June 2019**, an improvement compared to a ratio of 25.50% as at 30 June 2018. Net debt comprises total interest-bearing loans and borrowings, net of cash and cash equivalents.

Solid Cash Flows

Cash and cash equivalents, net of bank overdraft, as disclosed in the Statement of Cash Flows on page 35, **increased by $60.35 million, or 48.1%, to $185.82 million in FY19**, compared to $125.46 million in FY18.

During 2019, the consolidated entity generated a solid $372.85 million of net cash flows from operating activities. This was primarily achieved by receiving $2.40 billion from customers, $858.37 million net receipts from franchisees, offset by $2.68 billion payments to suppliers and employees. The decrease in operating cash flows by $81.33 million, or 17.9%, to $372.85 million in FY19 relative to $454.17 million in FY18 can primarily be attributed to a reduction in net receipts from franchisees by $88.69 million to $858.37 million during the year. Net receipts from franchisees are affected by the movement in the aggregate amount of financial accommodation provided to franchisees, which has increased in FY19 compared to the movement in FY18. The higher movement in the aggregate amount of financial accommodation this year was predominantly due to an increase in the inventory reserves acquired by franchisees during the FY19 relative to FY18. Franchisees increased their inventory investment to support sales growth post-balance date, driven by expected improved trading conditions. Lower net receipts from franchisees are also due to a reduction in gross revenue from franchisees received in FY19 compared to prior year.

There was a reduction in the net cash flows used in investing activities by $237.28 million during FY19 primarily due to a reduction in the purchase of investment properties by $97.78 million, the receipt of proceeds of $40.50 million pursuant to the completion of the Administrator Sale of the Coomboona JV assets in January 2019 and the reduction in loans granted to joint venture entities, joint venture partners and unrelated entities by $89.70 million between the two comparable years. During FY19, the consolidated entity advanced loans of $5.18 million to joint ventures and unrelated entities compared to a net outflow of $94.88 million in FY18.

There was an increase in the net cash financing outflows by $178.19 million during the 2019 year primarily due to the repayment of external borrowings utilising the proceeds raised from the renounceable pro-rata Entitlement Offer in October 2018 of $163.87 million. There was a net repayment of the Syndicated Facility Agreement by $25 million during FY19 compared to a net drawdown of $210 million during FY18, a significant improvement in the utilisation of the Syndicated Loan Facility by $235 million between the two comparable years. Furthermore, there were higher dividend payments during FY19 totalling $342.12 million compared with FY18 dividend payments of $267.34 million, an increase of $74.79 million, mainly due to the higher 2018 final dividend which was paid in December 2018.

Capital Management Policy

The objective of the consolidated entity's capital management policy is to:
- create long-term sustainable value for shareholders;
- maintain optimal returns to shareholders and benefits to other stakeholders;
- source the lowest cost of available capital; and
- prevent the adverse outcomes that can result from short-term decision making.

The Capital Management Policy stipulates a net debt-to-equity target for the consolidated entity of less than 50%.

The capital structure of the consolidated entity consists of:
- Debt, which includes Interest-Bearing Loans and Borrowings in Notes 18 and 21 of this report;
- Cash and cash equivalents disclosed in Note 28(a); and
- Equity attributable to equity holders of the parent, comprising ordinary shares, retained profits and reserves as disclosed in Notes 24, 25 and 27 respectively.

The consolidated entity's borrowings consist primarily of bank debt provided by a syndicate of ten banks, including each of the "Big 4" Australian Banks. Concentration risk is minimised by staggering facility renewals and utilising a range of maturities of up to 3 years.

Outlook

We intend to continue growing our international retail footprint and expect to open up to 21 new stores overseas within the next 2 years, with 17 of those new stores in Singapore and Malaysia. By the end of the 2021 financial year, we anticipate having 111 Harvey Norman® company-operated stores across 7 offshore countries. In Australia, 1 Harvey Norman® complex in Victoria will open in the 2020 financial year.

For new stores and existing store refits going forward in the 8 countries, we will be taking the best elements of the Flagship fitout and design to integrate into these stores. We plan to start rolling this premium format out in Australia and New Zealand, as new franchised complex and store refits become due. We are currently underway with the first premium refit in Australia at the Cairns franchised complex and the franchised complexes located at Campbelltown, Balgowlah, Preston and Aspley will commence post-Christmas. Mt. Wellington and Hamilton in New Zealand will also commence post-Christmas.

Franchisee sales for July and August 2019 are showing signs of improvement. Aggregated franchisee sales for the period 1 July 2019 to 29 August 2019 increased by 3.3% compared to the period 1 July 2018 to 29 August 2018, and 3.0% on a comparable sales basis. Franchisees are yet to see an uplift from the tax credit initiative.

Total overseas sales revenue and comparable overseas sales revenue increases/(decreases) for each of our overseas controlled entities for the period 1 July 2019 to 29 August 2019 vs 1 July 2018 to 29 August 2018 is as follows;

COUNTRY	$A Total Sales %	$A Comparable Sales %	Constant Local Currencies Total Sales %	Constant Local Currencies Comparable Sales %
New Zealand	9.8	9.7	5.2	5.1
Slovenia & Croatia	14.5	14.3	11.2	11.0
Ireland	12.4	12.4	9.0	9.0
Northern Ireland	10.9	10.9	9.5	9.5
Singapore	(-6.7)	(-4.1)	(-12.4)	(-10.0)
Malaysia	14.7	0.9	9.3	(-3.9)

Sales growth from our company-operated stores in New Zealand, Slovenia, Croatia, Ireland and Northern Ireland have been strong for the first 2 months of the 2020 financial year.

Sales reported by our company-operated stores in Malaysia are cycling higher comparable sales, relating to the removal of the 6% GST by the Malaysian Government in the months of June, July and August 2018. Sales during that GST-free period last year were exceptionally high, and then from 1 September 2018, sales normalised after the introduction of the 10% sales tax by the Malaysian Government.

In Singapore, sales for July and August 2019 were under pressure due to softening economic conditions. The Singaporean Government has indicated that an economic stimulus may be required. Singapore has seen a plunge in exports, partly because of weakening growth in China which has been further exacerbated by the trade war between China and the United States.

Harvey Norman® New Zealand launched GenoaPay (Buy Now Pay Later (**BNPL**)) in April 2019. After the successful NZ launch, a select number of Harvey Norman® franchisees and Latitude Financial Services Australia Holdings Pty Ltd (**Latitude**) trialled the BNPL offer in Australia (**LatitudePay**). LatitudePay will now launch nationally in early September 2019.

The consolidated entity will continue to invest in our people, our brands and in the development and enhancement of the tools provided to our franchisees to enable them to seamlessly service their customers.

Summary of Key Business Risks

The Board is optimistic about the consolidated entity's future trading performance but acknowledges that there are several factors that may pose a risk to the achievement of the business strategies and future financial performance as outlined above.

Every business faces risks with the potential to impair its ability to execute its strategy or achieve its financial objectives. There are a number of key risks, both specific to the Harvey Norman® integrated retail, franchise, property and digital system and external risks, for example the macroeconomic environment, over which the consolidated entity has no control. The consolidated entity acknowledges the existence of these risks, and in the first instance seeks to identify and understand individual risks, and then – to the extent possible – manage and/or minimise risks.

Changes to macroeconomic conditions and policy that may result in declining consumer sentiment:

The consolidated entity has a significant exposure to the economy of the countries in which it operates. There are a number of general economic conditions, including interest and exchange rate movements, overall levels of demand, housing market dynamics, wage growth, employment, economic and political instability and government fiscal, trade, monetary and regulatory policies, that can

Summary of Key Business Risks (continued)

impact the level of consumer confidence and discretionary retail spending. These conditions may affect revenue from sales to customers and franchise fees. The consolidated entity seeks to reduce its exposure to these risks through appropriate business diversification, also by closely monitoring both internal and external sources of information that provide insights into any changes in demand within the economies in which it operates.

Increased competition resulting in a decline of retail margin or a loss of market share for franchisees in Australia and company-operated stores in overseas markets:

The integrated retail, franchise, property and digital system, and diverse category mix assists in maintaining the consolidated entity's competitive position. Market consolidation and/or acquisition may result in further competition and changes to retail margins and market share. Franchisees in Australia and company-operated stores in 7 overseas regions operate across a number of categories in the strongly performing Home and Lifestyle market. Diversity of category and the ability to identify growth opportunities locally and overseas, mitigates the risk from existing and potential competitors.

Emergence of competitors in new channels:

The Harvey Norman® Omni Channel Strategy provides customers of franchisees with a diverse, consistent and distinctive Harvey Norman® customer experience through a range of channels. The Harvey Norman® Omni Channel Strategy integrates retail, online, mobile, and social channels.

The online operations of franchisees in Australia and the company-operated online operations overseas continue to grow. The digital platform provides new opportunities for growth and new ways to embrace and engage with customers. Data analytics are an important element of the Harvey Norman® Omni Channel Strategy, and are utilised to improve customer experience.

The Harvey Norman® Omni Channel Strategy sets the Harvey Norman® brand apart from other online and digital competitors as the digital, physical complex and distribution channels are fully integrated, providing customers of franchisees with a multitude of engagement options to meet their needs. The Harvey Norman® Omni Channel Strategy, supported by the retail property portfolio of the consolidated entity, makes the Harvey Norman® brand a strong competitor in the market.

A decline in the commercial property sector leading to softening property asset values, falling rental returns and a reduction of future capital returns on property assets:

With a property portfolio of $2.99 billion, the consolidated entity is exposed to potential reductions in commercial property values. The consolidated entity has a selective and prudent acquisition and development strategy and maintains high-quality complexes and a solid, dynamic, complementary tenancy mix in order to maximise the profitability of the property segment.

Counterparty risks of service providers:

This risk relates to the inability of service providers to meet their obligations, including compliance obligations. The consolidated entity closely monitors and evaluates the performance of external service providers to mitigate counterparty risk.

Counterparty risk associated with the mining camp accommodation joint ventures:

Commodity prices are inherently volatile. The provision of services to the mining industry is dependent on the cycle investment. The consolidated entity has continued its joint ventures with counterparties to provide mining camp accommodation services. The risk in respect of mining camp accommodation joint ventures includes the ability of counterparties to meet financial and other obligations under mining camp accommodation joint venture agreements.

The consolidated entity closely monitors and evaluates the performance of counterparties of the mining camp accommodation joint ventures by monitoring compliance with joint venture agreements; adopting a prudent and conservative approach to the review of mining camp accommodation cash flows, including future cash flow projections; and ensuring that an adequate level of security is maintained for any funds advanced to mining camp accommodation joint ventures.

Compliance by franchisees with franchise agreements:

The risk relates to franchisees acting in breach of the terms and conditions of their respective franchise agreements. The consequences of non-compliance may include damage to the brand, fines or other sanctions from regulators, and/or a reduction in franchise fees received from franchisees.

The franchisor continually monitors and evaluates the financial and operating performance of each franchisee to actively assess compliance with executed franchise agreements. Instances of non-compliance are promptly addressed to protect the Harvey Norman® brand and/or intellectual property of the franchisor.

Information Technology ("IT") security and data security breaches:

This risk relates to the potential failure in IT security measures resulting in the loss, destruction or theft of customer, supplier, financial or other commercially-sensitive information including intellectual property. This has the potential to adversely affect our operating results which would lead to lawsuits, damage the reputation of the Harvey Norman® brand, and/or create other liabilities for the consolidated entity.

There are a number of key controls in place, including an ongoing security improvement program, investment in cyber security resources; the implementation, maintenance and supervision of operational policies and contracts intended to preserve the confidentiality and integrity of IT systems. The Information Technology environment is subject to regular independent audit and review of IT security controls, response plans and incident management practices.

Unless otherwise indicated, all directors (collectively termed "the Board") held their position as a director throughout the entire financial year and up to the date of this report.

Gerald Harvey *Executive Chairman*	Mr. G. Harvey was the co-founder of Harvey Norman Holdings Limited in 1982 with Mr. I.J. Norman. Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments.
Kay Lesley Page *Executive Director and CEO*	Ms. Page joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987. Ms. Page became the Chief Executive Officer of the Company in February 1999 and has overall executive responsibility for the consolidated entity. Ms. Page is a Director of the Trustee of the Sydney Cricket and Sports Ground Trust. On 30 July 2018, Ms. Page was appointed as an independent member of the Place Management NSW Board.
Chris Mentis *B.Bus., FCA, FGIA, Grad Dip App Fin* *Executive Director, CFO & Company Secretary*	Mr. Mentis was appointed a director of Harvey Norman Holdings Limited on 30 August 2007. Mr. Mentis joined Harvey Norman as Financial Controller on 15 December 1997. On 20 April 2006, he became Chief Financial Officer and Company Secretary. Mr. Mentis is a Fellow of the Chartered Accountants Australia & New Zealand (CA ANZ) and a Fellow of the Governance Institute of Australia, with extensive experience in financial accounting. Mr. Mentis has overall executive responsibility for the accounting and financial matters of the consolidated entity.
John Evyn Slack-Smith *Executive Director & COO*	Mr. Slack-Smith was a Harvey Norman® computer franchisee between 1993 and 1999. Mr. Slack-Smith became a director of the Company on 5 February 2001. Mr. Slack-Smith has overall executive responsibility for the operations of the consolidated entity. Mr. Slack-Smith was appointed a non-executive director of the Children's Tumour Foundation of Australia on 22 July 2019.
David Matthew Ackery *Executive Director*	Mr. Ackery was appointed a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the consolidated entity and Harvey Norman® home appliances, home entertainment and technology franchisees and strategic partners. Mr. Ackery finished his tenure as the Chairman of the public company, St. Joseph's College Foundation Limited, on 30 June 2019.
Michael John Harvey *B.Com* *Non-Executive Director*	Mr. M. Harvey joined Harvey Norman in 1987, having completed a Bachelor of Commerce degree. Mr. M. Harvey gained extensive experience as a Harvey Norman® franchisee from 1989 to 1994. Mr. M. Harvey became a director of the Company in 1993 and was appointed Managing Director in July 1994. Mr. M. Harvey ceased to be an Executive Director and Managing Director on 30 June 1998.
Christopher Herbert Brown *OAM, LL.M, FAICD, CTA* *Non-Executive Director*	Mr. Brown holds the degree of Master of Laws from the University of Sydney. Mr. Brown is the senior partner in Brown Wright Stein Lawyers. Brown Wright Stein Lawyers has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed a director of the Company in 1987, when it became a listed public company. Mr. Brown is a member of the Audit, Remuneration and Nomination Committees. Mr. Brown is the Chairman of Windgap Foundation Limited. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.
Kenneth William Gunderson-Briggs *B.Bus., FCA, MAICD* *Non-Executive Director (Independent)*	Mr. Gunderson-Briggs was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a Fellow of the CA ANZ. Mr. Gunderson-Briggs was appointed Chairman of the Remuneration Committee on 16 December 2015 and is a member of the Audit and Nomination Committees. Mr. Gunderson-Briggs is an independent non-executive director of Australian Pharmaceutical Industries Limited, a company listed on the ASX.
Graham Charles Paton *AM, B.Ec, FCPA, MAICD* *Non-Executive Director (Independent)*	Mr. Paton holds a Bachelor of Economics degree from the University of Sydney. During his 23 years as a partner of an international chartered accounting practice, he was involved in the provision of professional services to the retail industry. He retired from public practice in July 2001. Mr. Paton is a Fellow and Life Member of CPA Australia and was the National President of that professional accounting body in 1993/1994. In 2001, Mr. Paton was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001. Mr. Paton was appointed a director of Harvey Norman Holdings Limited on 20 June 2005 and was appointed the Senior Independent Director on 16 December 2015. Mr. Paton was appointed Chairman of the Nomination Committee on 16 December 2015, Chairman of the Audit Committee on 9 March 2006 and is a member of the Remuneration Committee. Mr. Paton was an independent non-executive director of Gazal Corporation Limited, and resigned his directorship on 14 May 2019.
Maurice John Craven *B.Sc, FAICD* *Non-Executive Director (Independent)*	Mr. Craven was appointed a director of Harvey Norman Holdings Limited on 27 March 2019. Mr. Craven holds a Bachelor of Science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors. Mr. Craven has been actively involved with innovation and growth in technology empowered industries for the past 20 years and prior to that was a partner for 25 years with Andersen Consulting. Mr. Craven is Chair of Specialisterne Australia and is a member of the Global Board of the Specialisterne Foundation, based in Denmark. He is also a member of the Board of Social Venture Partners Melbourne, a philanthropic investment organisation.

Company Secretary

Mr. C. Mentis is a chartered accountant and became Company Secretary on 20 April 2006. Mr. Mentis has extensive experience in financial accounting and has been with the consolidated entity since 1997. Mr. Mentis is a Fellow of the Governance Institute of Australia.

Committee Membership

As at the date of this report, the Company had an Audit Committee, a Remuneration Committee and a Nomination Committee. Members acting on the committees of the board during the year were:

Audit Committee:
- G.C. Paton AM (Chairman)
- C.H. Brown OAM
- K.W. Gunderson-Briggs

Remuneration Committee:
- K.W. Gunderson-Briggs (Chairman)
- C.H. Brown OAM
- G.C. Paton AM

Nomination Committee:
- G.C. Paton AM (Chairman)
- C.H. Brown OAM
- K.W. Gunderson-Briggs

Directors' Meetings

DIRECTOR	Attendance	Full Board	Audit	Remuneration	Nomination
G. Harvey	100%	8 [8]	n/a	n/a	n/a
K.L. Page	100%	8 [8]	n/a	n/a	n/a
J.E. Slack-Smith	100%	8 [8]	n/a	n/a	n/a
D.M. Ackery	88%	7 [8]	n/a	n/a	n/a
C. Mentis	100%	8 [8]	n/a	n/a	n/a
M.J. Harvey	88%	7 [8]	n/a	n/a	n/a
C.H. Brown	100%	8 [8]	10 [10]	7 [7]	1 [1]
K.W. Gunderson-Briggs	100%	8 [8]	10 [10]	7 [7]	1 [1]
G.C. Paton	100%	8 [8]	10 [10]	7 [7]	1 [1]
M.J. Craven	100%	2 [2]	n/a	n/a	n/a

The number of meetings of the Board of Directors and of its Board Committees during the 2019 financial year were:
- Full Board: 8
- Audit Committee: 10
- Remuneration Committee: 7
- Nomination Committee: 1

The above table represents the directors' attendance at meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee. The number of meetings for which the director was eligible to attend is shown in brackets.

In addition, the executive directors held regular meetings for the purpose of signing various documentation.

Principal Activities

The principal activities of the consolidated entity are that of an integrated retail, franchise, property and digital system including:
- Franchisor;
- Sale of furniture, bedding, computers, communications and consumer electrical products in New Zealand, Singapore, Malaysia, Slovenia, Ireland, Northern Ireland and Croatia;
- Property investment;
- Lessor of premises to Harvey Norman®, Domayne® and Joyce Mayne® franchisees and other third parties;
- Media placement; and
- Provision of consumer finance and other commercial loans and advances.

Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year ended 30 June 2019.

Significant Events After Balance Date

On 30 August 2019, the Company announced a renounceable, pro-rata entitlement offer of new fully-paid ordinary shares in the Company to raise approximately $173.49 million (before costs) (**Entitlement Offer**) with an offer price of $2.50 per new share. The Entitlement Offer forms part of the Company's ongoing capital management program. It is intended that the proceeds of the Entitlement Offer will be used to reduce the amount of Company consolidated entity debt.

With the exception of the above, there have been no circumstances arising since balance date which have significantly affected or may significantly affect:
- the operations;
- the results of those operations; or
- the state of affairs of the entity or consolidated entity in future financial years.

Corporate Governance

The Company is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" for the entire financial year.

Directors' Relevant Interests

At the date of this report, the relevant direct and indirect interest of each director in the ordinary shares and performance rights instruments of the Company and related bodies corporate are:

DIRECTOR	Ordinary Shares	Performance Rights
G. Harvey	369,778,107	190,500
K.L. Page	18,605,005	408,000
J.E. Slack-Smith	997,750	259,000
D.M. Ackery	562,908	259,000
C. Mentis	1,014,186	233,000
M.J. Harvey	3,149,892	-
C.H. Brown	194,107,477	-
K.W. Gunderson-Briggs	9,499	-
G.C. Paton	16,605	-
M.J. Craven	15,925	-
TOTAL	588,257,354	1,349,500

Share Options

At the date of this report, there was no unissued ordinary shares under options (2018: Nil).

Performance Rights

At the date of this report, there were 1,349,500 unissued ordinary shares under performance rights (2018: 1,200,000), being a right to acquire ordinary shares in the Company at nil exercise price. On 30 November 2015, a total of 400,000 performance rights under Tranche 1 of the 2016 Long-Term Incentive (LTI) Plan were granted to executive directors following Board adoption of the scheme and shareholder approval of the LTI Plan in 2015. On 28 November 2016, a total of 400,000 performance rights under Tranche 2 of the 2016 LTI Plan were granted to executive directors in accordance with the terms and conditions of the LTI Plan. On 1 December 2017, a total of 400,000 performance rights under Tranche 3 of the 2016 LTI Plan were granted to executive directors in accordance with the terms and conditions of the LTI Plan. On 4 December 2018, a total of 549,500 performance rights under Tranche 1 of the 2019 LTI Plan were granted to the executive directors following Board adoption of the scheme and shareholder approval of the LTI Plan in 2018.

On 1 January 2019, 160,000 performance rights representing 40% of Tranche 1 of the 2016 LTI Plan had lapsed and will never be exercisable by the participants. On 1 March 2019, 112,500 performance rights under Tranche 1 of the 2016 LTI Plan were exercised. On 8 March 2019, 45,000 performance rights under Tranche 1 of the 2016 LTI Plan were exercised. On 11 March 2019, 45,000 performance rights under Tranche 1 of the 2016 LTI Plan were exercised. On 21 March 2019, 37,500 performance rights under Tranche 1 of the 2016 LTI Plan were exercised reducing the unissued ordinary shares under Tranche 1 of the 2016 LTI Plan to nil.

Dividends

The directors recommend a fully franked final dividend of 21.0 cents per share to be paid on 1 November 2019 (total dividend, fully franked - $247,744,684). The following fully franked dividends of the Company have also been paid, declared or recommended since the end of the preceding financial year:

	Payment Date	Amount
2018 final fully-franked dividend	2 November 2018	$200,554,004
2019 interim fully-franked dividend	1 May 2019	$141,568,391

The total dividend in respect of the year ended 30 June 2019 of 33.0 cents per share represents 96.77% (2018: 89.05%) of profit after tax and non-controlling interests, as set out on page 31 of the financial statements.

Excluding the non-cash net property revaluation increments, the total dividend in respect of the year ended 30 June 2019 of 33.0 cents per share represents 110.26% (2018: 98.54%) of profit after tax and non-controlling interests, as set out on page 31 of the financial statements.

The Dividend Policy of the Company is to pay such dividends as do not compromise the capability of the Company to execute strategic objectives.

STATEMENT of FINANCIAL POSITION
as at 30 JUNE 2019

	Note	CONSOLIDATED June 2019 $000	June 2018 $000
Current Assets			
Cash and cash equivalents	28(a)	215,048	170,544
Trade and other receivables	7	741,862	724,690
Other financial assets	8	28,888	31,463
Inventories	9	395,965	345,287
Other assets	10	37,541	45,144
Intangible assets	11	370	490
Subtotal		1,419,674	1,317,618
Assets held for sale	31	36,666	-
Total current assets		1,456,340	1,317,618
Non-Current Assets			
Trade and other receivables	12	49,391	78,443
Investments accounted for using equity method	29	3,854	4,497
Other financial assets	13	19,370	18,283
Property, plant and equipment	14	696,207	660,337
Investment properties	15	2,508,951	2,429,397
Intangible assets	16	64,631	69,067
Total non-current assets		3,342,404	3,260,024
Total Assets		4,798,744	4,577,642
Current Liabilities			
Trade and other payables	17	283,682	289,986
Interest-bearing loans and borrowings	18	494,579	422,191
Income tax payable		12,000	15,608
Other liabilities	19	75,819	66,825
Provisions	20	33,028	35,354
Total current liabilities		899,108	829,964
Non-Current Liabilities			
Interest-bearing loans and borrowings	21	346,942	503,203
Provisions	22	13,025	11,645
Deferred income tax liabilities		330,546	280,735
Other liabilities	23	11,330	14,163
Total non-current liabilities		701,843	809,746
Total Liabilities		1,600,951	1,639,710
NET ASSETS		3,197,793	2,937,932
Equity			
Contributed equity	24	552,250	388,381
Reserves	27	217,724	185,384
Retained profits	25	2,397,436	2,337,241
Parent entity interests		3,167,410	2,911,006
Non-controlling interests	26	30,383	26,926
TOTAL EQUITY		3,197,793	2,937,932

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

INCOME STATEMENT
for the year ended 30 JUNE 2019

	Note	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000
Sales of products to customers	3	2,234,118	1,993,760
Cost of sales		(1,510,733)	(1,326,339)
Gross profit		723,385	667,421
Revenue received from franchisees	3	943,648	965,472
Revenues and other income items	3	242,419	200,253
Distribution expenses		(41,102)	(41,602)
Marketing expenses		(391,044)	(374,322)
Occupancy expenses	4	(258,106)	(241,220)
Administrative expenses	4	(567,970)	(585,683)
Other expenses	4	(57,676)	(39,595)
Finance costs	4	(28,782)	(26,344)
Share of net profit of joint ventures entities	29	9,787	5,792
Profit before income tax		574,559	530,172
Income tax expense	5	(165,557)	(150,122)
Profit after tax		409,002	380,050
Attributable to:			
Owners of the parent		402,317	375,378
Non-controlling interests		6,685	4,672
		409,002	380,050
Earnings Per Share:			
Basic earnings per share (cents per share)	6	34.70 cents	33.21 cents
Diluted earnings per share (cents per share)	6	34.67 cents	33.18 cents
Dividends per share (cents per share)	25	33.0 cents	30.0 cents

The above Income Statement should be read in conjunction with the accompanying notes.

STATEMENT of COMPREHENSIVE INCOME
for the year ended 30 JUNE 2019

	CONSOLIDATED	
	June 2019 $000	June 2018 $000
Profit for the year	409,002	380,050
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	26,373	(221)
Net fair value losses on equity investments	(953)	(1,830)
Net movement on cash flow hedges	9	16
Income tax effect on net movement on cash flow hedges	(3)	(4)
Items that will not be reclassified subsequently to profit or loss:		
Fair value revaluation of land and buildings	12,234	15,553
Income tax effect on fair value revaluation of land and buildings	(3,910)	(2,693)
Other comprehensive income for the year (net of tax)	33,750	10,821
Total comprehensive income for the year (net of tax)	442,752	390,871
Total comprehensive income attributable to:		
Owners of the parent	434,888	385,067
Non-controlling interests	7,864	5,804
	442,752	390,871

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT of CHANGES in EQUITY
for the year ended 30 JUNE 2019

	Attributable to Equity Holders of the Parent										
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	FVOCI Reserve (a)	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1 July 2018	388,381	2,337,241	144,526	40,659	11,902	-	(8)	10,356	(22,051)	26,926	2,937,932
Other comprehensive income:											
Revaluation of land and buildings	-	-	8,324	-	-	-	-	-	-	-	8,324
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	-	8	-	-	-	8
Currency translation differences	-	-	-	25,194	-	-	-	-	-	1,179	26,373
Fair value of forward foreign exchange contracts	-	-	-	-	-	-	(2)	-	-	-	(2)
Transfer to financial assets at fair value through other comprehensive income	-	-	-	-	(11,902)	11,902	-	-	-	-	-
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(953)	-	-	-	-	(953)
Other comprehensive income	-	-	8,324	25,194	(11,902)	10,949	6	-	-	1,179	33,750
Profit for the year	-	402,317	-	-	-	-	-	-	-	6,685	409,002
Total comprehensive income for the year	-	402,317	8,324	25,194	(11,902)	10,949	6	-	-	7,864	442,752
Cost of share based payments	-	-	-	-	-	-	-	519	-	-	519
Shares issued	163,869	-	-	-	-	-	-	-	-	-	163,869
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	-	(750)	-	-	(750)
Dividends paid	-	(342,122)	-	-	-	-	-	-	-	(2,852)	(344,974)
Distribution to members	-	-	-	-	-	-	-	-	-	(1,555)	(1,555)
At 30 June 2019	552,250	2,397,436	152,850	65,853	-	10,949	(2)	10,125	(22,051)	30,383	3,197,793

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

(a) Upon the application of AASB 9, the consolidated entity has elected to classify equity investments, which were previously classified as available for sale under AASB 139, as financial assets at fair value through other comprehensive income (**FVOCI**).

STATEMENT of CHANGES in EQUITY
for the year ended 30 JUNE 2019 (continued)

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1 July 2017	386,309	2,229,200	131,304	42,374	13,732	(20)	9,611	(22,051)	22,448	2,812,907
Other comprehensive income:										
Revaluation of land and buildings	-	-	13,222	-	-	-	-	-	(362)	12,860
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	20	-	-	-	20
Currency translation differences	-	-	-	(1,715)	-	-	-	-	1,494	(221)
Fair value of forward foreign exchange contracts	-	-	-	-	-	(8)	-	-	-	(8)
Fair value of available for sale financial assets	-	-	-	-	(1,830)	-	-	-	-	(1,830)
Other comprehensive income	-	-	13,222	(1,715)	(1,830)	12	-	-	1,132	10,821
Profit for the year	-	375,378	-	-	-	-	-	-	4,672	380,050
Total comprehensive income for the year	-	375,378	13,222	(1,715)	(1,830)	12	-	-	5,804	390,871
Cost of share based payments	-	-	-	-	-	-	745	-	-	745
Shares issued	2,072	-	-	-	-	-	-	-	-	2,072
Dividends paid	-	(267,337)	-	-	-	-	-	-	(976)	(268,313)
Distribution to members	-	-	-	-	-	-	-	-	(350)	(350)
At 30 June 2018	388,381	2,337,241	144,526	40,659	11,902	(8)	10,356	(22,051)	26,926	2,937,932

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT of CASH FLOWS
for the year ended 30 JUNE 2019

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	Note	CONSOLIDATED June 2019 $000	June 2018 $000
Cash Flows from Operating Activities			
Net receipts from franchisees		858,372	947,058
Receipts from customers		2,397,871	2,134,595
Payments to suppliers and employees		(2,681,840)	(2,388,310)
Distributions received from joint ventures		10,027	10,125
GST paid		(56,815)	(66,102)
Interest received		6,625	5,871
Interest and other costs of finance paid		(29,223)	(25,619)
Income taxes paid		(135,139)	(166,161)
Dividends received		2,967	2,713
Net Cash Flows From Operating Activities	28(b)	372,845	454,170
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		(94,222)	(93,895)
Payments for purchase of investment properties		(27,878)	(125,661)
Proceeds from sale of property, plant and equipment and properties held for resale		2,911	2,422
Payments for purchase of units in unit trusts and other investments		(1,320)	(107)
Payments for purchase of equity accounted investments		(434)	(4,256)
Proceeds from sale of equity investments		18,470	10,436
Proceeds from insurance claims		903	2,458
Cash obtained on consolidation of KEH Partnership		50	-
Proceeds from the completion of the Administrator Sale of the Coomboona JV assets		40,500	-
Loans granted to joint venture entities, joint venture partners and related and unrelated entities		(5,183)	(94,882)
Net Cash Flows Used In Investing Activities		(66,203)	(303,485)
Cash Flows from Financing Activities			
Proceeds from shares issued – executive share option plan		-	2,072
Proceeds from shares issued – renounceable pro-rata Entitlement Offer		163,869	-
(Repayments)/Proceeds from Syndicated Facility		(25,000)	210,000
Dividends paid		(342,122)	(267,337)
Loans repaid to related parties		(39,559)	(6,573)
Repayments of other borrowings		(3,477)	(6,266)
Net Cash Flows Used In Financing Activities		(246,289)	(68,104)
Net Increase in Cash and Cash Equivalents		60,353	82,581
Cash and Cash Equivalents at Beginning of the Year		125,463	42,882
Cash and Cash Equivalents at End of the Year	28(a)	185,816	125,463

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018, except for the adoption of new standards mandatory for annual periods beginning on or after 1 July 2018 which require retrospective restatement. New mandatory standards, where material, are disclosed in Appendix A on page 57 of this report.

During the year, certain comparatives have been restated for consistency with policies adopted in the current year, which are not material for disclosure purposes.

2. OPERATING SEGMENTS

Operating Segment Revenue: 30 June 2019	June 2019 $000		
	Sales of Products to Customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	838,665	838,665
Retail – New Zealand	935,096	21,877	956,973
Retail – Singapore & Malaysia	555,467	12,937	568,404
Retail – Slovenia & Croatia	148,922	2,256	151,178
Retail – Ireland & Northern Ireland	370,154	8,098	378,252
Other Non-Franchised Retail	221,899	5,362	227,261
TOTAL RETAIL	2,231,538	50,530	2,282,068
Retail Property	33	332,126	332,159
TOTAL PROPERTY	33	332,126	332,159
EQUITY INVESTMENTS	-	18,666	18,666
OTHER	2,871	11,269	14,140
INTER-COMPANY ELIMINATIONS	(324)	(65,189)	(65,513)
TOTAL SEGMENT REVENUE	2,234,118	1,186,067	3,420,185

Operating Segment Revenue: 30 June 2018	June 2018 $000		
	Sales of Products to Customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	857,691	857,691
Retail – New Zealand	909,524	20,376	929,900
Retail – Singapore & Malaysia	478,401	10,687	489,088
Retail – Slovenia & Croatia	133,752	2,048	135,800
Retail – Ireland & Northern Ireland	313,325	5,636	318,961
Other Non-Franchised Retail	155,340	4,480	159,820
TOTAL RETAIL	1,990,342	43,227	2,033,569
Retail Property	99	304,516	304,615
TOTAL PROPERTY	99	304,516	304,615
EQUITY INVESTMENTS	-	6,154	6,154
OTHER	3,319	14,766	18,085
INTER-COMPANY ELIMINATIONS	-	(60,629)	(60,629)
TOTAL SEGMENT REVENUE	1,993,760	1,165,725	3,159,485

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2. OPERATING SEGMENTS (CONTINUED)

Operating Segment Result: 30 June 2019	June 2019 $000				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	295,771	(3,221)	(25,648)	(18,502)	248,400
Retail – New Zealand	84,598	-	(6,851)	(355)	77,392
Retail – Singapore & Malaysia	44,674	(87)	(6,483)	(1,049)	37,055
Retail – Slovenia & Croatia	10,487	(416)	(2,447)	(167)	7,457
Retail – Ireland & Northern Ireland	15,255	(2,424)	(4,867)	(167)	7,797
Other Non-Franchised Retail	(12,200)	(1,531)	(2,443)	(497)	(16,671)
TOTAL RETAIL	142,814	(4,458)	(23,091)	(2,235)	113,030
Retail Property	235,083	(19,463)	(10,634)	(305)	204,681
TOTAL PROPERTY	235,083	(19,463)	(10,634)	(305)	204,681
EQUITY INVESTMENTS	18,595	(197)	-	-	18,398
OTHER	4,999	(1,711)	(4,990)	(8,248)	(9,950)
INTER-COMPANY ELIMINATIONS	(268)	268	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	696,994	(28,782)	(64,363)	(29,290)	574,559

Operating Segment Result: 30 June 2018	June 2018 $000				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	329,617	(2,471)	(27,300)	(17,306)	282,540
Retail – New Zealand	89,926	-	(7,312)	(309)	82,305
Retail – Singapore & Malaysia	32,043	(116)	(5,975)	(940)	25,012
Retail – Slovenia & Croatia	9,841	(392)	(1,862)	(187)	7,400
Retail – Ireland & Northern Ireland	8,499	(2,419)	(4,585)	(83)	1,412
Other Non-Franchised Retail	9,287	(1,643)	(1,590)	(17,223)	(11,169)
TOTAL RETAIL	149,596	(4,570)	(21,324)	(18,742)	104,960
Retail Property	218,261	(17,545)	(11,758)	(305)	188,653
Property Developments for Resale	(73)	(12)	-	-	(85)
TOTAL PROPERTY	218,188	(17,557)	(11,758)	(305)	188,568
EQUITY INVESTMENTS	6,084	(200)	-	-	5,884
OTHER	4,464	(1,823)	(4,977)	(49,444)	(51,780)
INTER-COMPANY ELIMINATIONS	(277)	277	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	707,672	(26,344)	(65,359)	(85,797)	530,172

2. OPERATING SEGMENTS (CONTINUED)

Operating Segment Assets and Liabilities: 30 June 2019	June 2019 $000					
	Segment Assets			Segment Liabilities		
	Segment Assets	Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,006,917	(2,078,590)	**928,327**	234,661	(10,340)	**224,321**
Retail – New Zealand	267,981	-	**267,981**	103,973	(4,031)	**99,942**
Retail – Singapore & Malaysia	199,964	(1,772)	**198,192**	119,811	(40,141)	**79,670**
Retail – Slovenia & Croatia	56,675	(3,115)	**53,560**	46,526	(753)	**45,773**
Retail – Ireland & Northern Ireland	86,553	(119)	**86,434**	129,126	(416)	**128,710**
Other Non-Franchised Retail	175,065	(46,765)	**128,300**	220,853	(141,443)	**79,410**
TOTAL RETAIL	786,238	(51,771)	**734,467**	620,289	(186,784)	**433,505**
Retail Property	2,976,650	(25,319)	**2,951,331**	2,331,761	(1,820,345)	**511,416**
Property Developments for Resale	36,666	-	**36,666**	-	-	**-**
TOTAL PROPERTY	3,013,316	(25,319)	**2,987,997**	2,331,761	(1,820,345)	**511,416**
EQUITY INVESTMENTS	44,344	-	**44,344**	5,470	-	**5,470**
OTHER	161,871	(58,262)	**103,609**	280,166	(196,473)	**83,693**
TOTAL SEGMENT ASSETS / LIABILITIES BEFORE TAX	7,012,686	(2,213,942)	4,798,744	3,472,347	(2,213,942)	1,258,405*

Operating Segment Assets and Liabilities: 30 June 2018	June 2018 $000					
	Segment Assets			Segment Liabilities		
	Segment Assets	Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,353,891	(2,460,089)	**893,802**	545,493	(216,841)	**328,652**
Retail – New Zealand	242,137	-	**242,137**	97,514	(3,683)	**93,831**
Retail – Singapore & Malaysia	173,902	(1,287)	**172,615**	111,897	(39,177)	**72,720**
Retail – Slovenia & Croatia	51,776	(2,288)	**49,488**	44,931	(526)	**44,405**
Retail – Ireland & Northern Ireland	191,452	(103,605)	**87,847**	406,360	(262,017)	**144,343**
Other Non-Franchised Retail	123,969	(30,495)	**93,474**	167,439	(76,104)	**91,335**
TOTAL RETAIL	783,236	(137,675)	**645,561**	828,141	(381,507)	**446,634**
Retail Property	2,887,036	(24,493)	**2,862,543**	2,332,929	(1,830,386)	**502,543**
Property Developments for Resale	1,850	-	**1,850**	3,023	(2,628)	**395**
TOTAL PROPERTY	2,888,886	(24,493)	**2,864,393**	2,335,952	(1,833,014)	**502,938**
EQUITY INVESTMENTS	46,848	-	**46,848**	6,361	-	**6,361**
OTHER	203,028	(75,990)	**127,038**	325,667	(266,885)	**58,782**
TOTAL SEGMENT ASSETS / LIABILITIES BEFORE TAX	7,275,889	(2,698,247)	4,577,642	4,041,614	(2,698,247)	1,343,367*

* Segment liabilities are exclusive of income tax payable and deferred income tax liabilities.

2. OPERATING SEGMENTS (CONTINUED)

The consolidated entity operates predominantly in eleven (11) operating segments:

Operating Segment	Description of Segment
Franchising Operations	Consists of the franchisor operations of the consolidated entity, but does not include the results, assets, liabilities or operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman® brand name.
Retail – Singapore & Malaysia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman® and Space Furniture® brand names.
Retail – Slovenia & Croatia	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman® brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman® brand name.
Other Non-Franchised Retail	Consists of the retail trading operations in Australia which are controlled by the consolidated entity and does not include the operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail Property	Consists of land and buildings that are owned by the consolidated entity for each site that are fully operational or are ready for operations. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement. This segment includes the mining camp accommodation joint ventures.
Retail Property Under Construction	Consists of sites that are currently undergoing construction at balance date intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income.
Property Developments for Resale	Consists of land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit. This segment includes land and buildings held for sale, which were previously reported in the Retail Property segment.
Equity Investments	This segment refers to the investment in, and trading of, equity investments.
Other	This segment primarily relates to credit facilities provided to related and unrelated parties, other unallocated income and expense items and the joint venture investment in Coomboona Holdings Pty Limited.

3. REVENUES

	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000
Revenue from contracts with customers and franchisees:		
Sale of products to customers (a)	**2,234,118**	1,993,760
Services to customers (c) (included in revenues and other income items line in the Income Statement)	**27,536**	24,474
Franchise fees in accordance with franchise agreements (b) (included in Revenue received from franchisees in the Income Statement)	**668,926**	693,475
Total revenue from contracts with customers and franchisees	**2,930,580**	2,711,709

Refer to Table 1 on page 41 for a breakdown of revenues under AASB 15 and the relationship to the reported operating segments of the consolidated entity - by Types of Contracts.

Refer to Table 2 on page 42 for a breakdown of revenues under AASB 15 and the relationship to the reported operating segments of the consolidated entity - by Primary Geographical Markets.

	June 2019 $000	June 2018 $000
Other revenue from franchisees:		
- Rent and outgoings received from franchisees	**243,940**	241,687
- Interest to implement and administer the financial accommodation facilities	**30,782**	30,310
Total other revenue received from franchisees (b)	**274,722**	271,997

	June 2019 $000	June 2018 $000
Gross revenue from other unrelated parties:		
- Rent and outgoings received from external tenants	**95,982**	85,314
- Interest received from financial institutions and other parties	**5,262**	7,167
- Dividends received	**2,711**	2,747
Total revenue from other unrelated parties (c)	**103,955**	95,228

	June 2019 $000	June 2018 $000
Other income items:		
- Net property revaluation increment on Australian investment properties	**69,289**	51,646
- Property revaluation increment for overseas controlled entity	**1,012**	-
- Net revaluation increment of equity investments to fair value	**15,955**	3,407
- Net foreign exchange gains	**-**	496
- Other income	**24,672**	25,002
Total other income items (c)	**110,928**	80,551

Disclosed in the Income Statement as follows:

	June 2019 $000	June 2018 $000
(a) Sale of products to customers	**2,234,118**	1,993,760
(b) Revenue received from franchisees	**943,648**	965,472
(c) Revenues and other income items	**242,419**	200,253

3. REVENUES (CONTINUED)

Table 1. Breakdown of Revenues under AASB 15 and the relationship to the reported operating segments of the consolidated entity - by Types of Contracts:

	Year Ended 30 June 2019											
	Franchising Operations	Retail – New Zealand	Retail – Singapore & Malaysia	Retail – Slovenia & Croatia	Retail – Ireland & Northern Ireland	Other Non-Franchised Retail	Retail Property	Property Developments for Resale	Equity Investments	Other	Inter-Company Eliminations	Total Segment Revenue
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
June 2019												
Types of Contracts:												
Sale of products to customers	-	935,096	555,467	148,922	370,154	221,899	33	-	-	2,871	(324)	**2,234,118**
Services to customers	-	13,952	5,206	1,728	5,531	1,119	-	-	-	-	-	**27,536**
Franchise fees from franchisees	668,926	-	-	-	-	-	-	-	-	-	-	**668,926**
Total revenue from contracts with customers and franchisees	668,926	949,048	560,673	150,650	375,685	223,018	33	-	-	2,871	(324)	**2,930,580**

	Year Ended 30 June 2018											
	Franchising Operations	Retail – New Zealand	Retail – Singapore & Malaysia	Retail – Slovenia & Croatia	Retail – Ireland & Northern Ireland	Other Non-Franchised Retail	Retail Property	Property Developments for Resale	Equity Investments	Other	Inter-Company Eliminations	Total Segment Revenue
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
June 2018												
Types of Contracts:												
Sale of products to customers	-	909,524	478,401	133,752	313,325	155,340	99	-	-	3,319	-	**1,993,760**
Services to customers	-	13,206	4,065	1,794	3,764	1,645	-	-	-	-	-	**24,474**
Franchise fees from franchisees	693,475	-	-	-	-	-	-	-	-	-	-	**693,475**
Total revenue from contracts with customers and franchisees	693,475	922,730	482,466	135,546	317,089	156,985	99	-	-	3,319	-	**2,711,709**

3. REVENUES (CONTINUED)

Table 2. Breakdown of Revenues under AASB 15 and the relationship to the reported operating segments of the consolidated entity - by Primary Geographical Markets:

	Year Ended 30 June 2019											
	Franchising Operations	Retail – New Zealand	Retail – Singapore & Malaysia	Retail – Slovenia & Croatia	Retail – Ireland & Northern Ireland	Other Non-Franchised Retail	Retail Property	Property Developments for Resale	Equity Investments	Other	Inter-Company Eliminations	Total Segment Revenue
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
June 2019												
Primary geographical markets:												
Australia	668,926	-	-	-	-	214,359	33	-	-	2,871	(324)	**885,865**
New Zealand	-	949,048	-	-	-	8,659	-	-	-	-	-	**957,707**
Asia	-	-	560,673	-	-	-	-	-	-	-	-	**560,673**
Europe	-	-	-	150,650	375,685	-	-	-	-	-	-	**526,335**
Total revenue from contracts with customers and franchisees	668,926	949,048	560,673	150,650	375,685	223,018	33	-	-	2,871	(324)	**2,930,580**

	Year Ended 30 June 2018											
	Franchising Operations	Retail – New Zealand	Retail – Singapore & Malaysia	Retail – Slovenia & Croatia	Retail – Ireland & Northern Ireland	Other Non-Franchised Retail	Retail Property	Property Developments for Resale	Equity Investments	Other	Inter-Company Eliminations	Total Segment Revenue
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
June 2018												
Primary geographical markets:												
Australia	693,475	-	-	-	-	148,689	99	-	-	3,319	-	**845,582**
New Zealand	-	922,730	-	-	-	8,296	-	-	-	-	-	**931,026**
Asia	-	-	482,466	-	-	-	-	-	-	-	-	**482,466**
Europe	-	-	-	135,546	317,089	-	-	-	-	-	-	**452,635**
Total revenue from contracts with customers and franchisees	693,475	922,730	482,466	135,546	317,089	156,985	99	-	-	3,319	-	**2,711,709**

4. EXPENSES AND LOSSES

	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000
Employee benefits expense:		
- Wages and salaries	313,124	278,043
- Workers' compensation	3,174	1,282
- Superannuation contributions	16,278	13,904
- Payroll tax	12,107	10,999
- Share-based payments	717	761
- Other employee benefits	8,523	10,874
Total employee benefits expense	353,923	315,863
Minimum lease payments	184,780	171,025
Finance costs:		
- Bank interest paid to financial institutions	26,838	23,827
- Other	1,944	2,517
Total finance costs	28,782	26,344
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	11,857	11,157
- Plant and equipment	52,506	54,202
Amortisation of:		
- Computer software	19,721	18,339
- Net licence property and other intangible assets	1,175	1,093
Impairment of non-trade debts receivable from KEH (a) (included in administrative expenses line in the Income Statement)	146	16,921
Impairment of non-trade debts receivable from Coomboona JV (c) (included in administrative expenses line in the Income Statement)	8,248	28,779
Impairment of equity-accounted investment (d) (included in administrative expenses line in the Income Statement)	-	20,665
Total depreciation, amortisation and impairment	93,653	151,156
Loss on restructure and consolidation of KEH (b)	9,665	-

KEH Partnership Pty Limited (KEH)

(a) As at 30 June 2018, the consolidated entity had a commercial loan receivable from the KEH Partnership retail joint venture (**KEH**) totalling $60.96 million in respect of the amounts advanced to The School Locker business to assist with working capital requirements. The Big Buys by Harvey Norman® business was closed during the second half of the 2018 financial year. The amounts previously advanced to the Big Buys by Harvey Norman® business were either repaid or written off in full upon closure of that business and was nil as at 30 June 2018. As at 30 June 2018, the total provision for doubtful debts relating to The School Locker business of KEH was $20.82 million. The provision for doubtful debts previously raised for The Big Buys business was fully utilised upon closure. During the 2018 financial year, an impairment assessment was conducted resulting in the recognition of an expense of $16.92 million, with $6.06 million relating to the Big Buys by Harvey Norman® business and $10.86 million relating to The School Locker business.

(b) Up to 30 June 2018, the consolidated entity, through a wholly-owned subsidiary, had a 50% interest in the KEH business (**Partnership**) and had accounted for its interest as an equity-accounted joint venture entity. Effective 1 July 2018, the consolidated entity's interest in the Partnership was 99.02% and, from that date, the consolidated entity ceased equity accounting and consolidated the financial statements of KEH.

The loss on the restructure and consolidation of KEH was $9.67 million, being the difference in the carrying amount of the loan receivable from KEH in the consolidated entity's financial statements of $40.14 million and the fair value of the loan payable in KEH's financial statements of $30.47 million. Refer to Note 30. Business Combinations on page 56.

4. EXPENSES AND LOSSES (CONTINUED)

Coomboona JV

(c) In the previous financial year, the recoverable amount of the loans advanced to the Coomboona JV were assessed as at 30 June 2018 based on the information provided by the Administrator as to the expected terms and conditions of the Administrator Sale. During the year ended 30 June 2019, upon exchange of contracts for the Administrator Sale and the subsequent settlement of the Administrator Sale on 16 January 2019, the secured creditors were advised that the expected net proceeds on settlement would be $8.25 million less than the expected recoverable amount to discharge those receivables. The reduced proceeds were due to matters regarding the finalisation of the Administrator Sale that arose during the current year.

(d) The impairment loss recognised for the year ended 30 June 2018 included a write-down of the carrying amount of the equity-accounted investment in the Coomboona JV to its estimated recoverable amount totalling $20.67 million.

5. INCOME TAX

	CONSOLIDATED	
	June 2019 $000	June 2018 $000
Income tax recognised in the Income Statement:		
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	128,456	138,147
Adjustments in respect of current income tax of previous years	(135)	(360)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	37,236	12,335
Total income tax expense reported in the Income Statement	165,557	150,122

6. EARNINGS PER SHARE

	June 2019	June 2018
Basic earnings per share (cents per share)	34.70c	33.21c
Diluted earnings per share (cents per share)	34.67c	33.18c
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax	409,002	380,050
Less: Profit after tax attributable to non-controlling interests	(6,685)	(4,672)
Profit after tax attributable to owners to the parent	402,317	375,378

6. EARNINGS PER SHARE (CONTINUED)

	NUMBER OF SHARES	
	June 2019 Number	June 2018 Number
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	1,159,443,029	1,130,182,344
Effect of dilutive securities (b)	1,114,644	1,032,320
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,160,557,673	1,131,214,664

(a) Weighted Average number of Ordinary Shares

The weighted average number of ordinary shares used in calculating basic earnings per share is inclusive of the new shares totalling 65,547,679 ordinary shares in the Company issued on 22 October 2018 pursuant to the pro-rata Entitlement Offer, weighted on a pro-rata basis from issue date to 30 June 2019.

(b) Effect of Dilutive Securities

On 30 November 2015, the consolidated entity issued a total of 400,000 performance rights under Tranche 1 of the 2016 LTI Plan to the executive directors. A performance right is the right to acquire one ordinary share in the Company at nil exercise price. If exercised, each performance right will be converted into one ordinary share in the Company. These performance rights are capable of exercise from 1 January 2019 to 31 December 2021. The performance rights were valued at grant date at $3.52 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of the Tranche 1 performance rights amounted to $1,408,000 in aggregate. On 1 January 2019, 160,000 performance rights representing 40% of Tranche 1 of the 2016 LTI Plan had lapsed and will never be exercisable by the participants. On 1 March 2019, 112,500 performance rights under Tranche 1 of the 2016 LTI Plan were exercised. On 8 March 2019, 45,000 performance rights under Tranche 1 of the 2016 LTI Plan were exercised. On 11 March 2019, 45,000 performance rights under Tranche 1 of the 2016 LTI Plan were exercised. On 21 March 2019, 37,500 performance rights under Tranche 1 of the 2016 LTI Plan were exercised reducing the unissued ordinary shares under Tranche 1 of the 2016 LTI Plan to nil.

On 28 November 2016, the consolidated entity issued a total of 400,000 performance rights under Tranche 2 of the 2016 LTI Plan to the executive directors. These performance rights are capable of exercise from 1 January 2020 to 31 December 2022. The performance rights were valued at grant date at $3.87 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 2 performance rights amounted to $1,548,000 in aggregate.

On 1 December 2017, the consolidated entity issued a total of 400,000 performance rights under Tranche 3 of the 2016 LTI Plan to the executive directors. These performance rights are capable of exercise from 1 January 2021 to 31 December 2023. The performance rights were valued at grant date at $3.34 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 3 performance rights amounted to $1,336,000 in aggregate.

On 4 December 2018, the consolidated entity issued a total of 549,500 performance rights under Tranche 1 of the 2019 LTI Plan to the executive directors. These performance rights are capable of exercise from 1 January 2022 to 30 June 2024. The performance rights were valued at grant date at $2.59 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2019 LTI Plan, the total fair value of Tranche 1 performance rights amounted to $1,423,205 in aggregate.

Performance rights issued under Tranche 2 and Tranche 3 of the 2016 LTI Plan and Tranche 1 of the 2019 LTI Plan have been included in the calculation of diluted earnings per share. They are considered to be dilutive as their conversion to ordinary shares would decrease the net profit per share. There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date.

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000
Receivables from franchisees (a)	607,731	544,003
Trade receivables	104,359	102,782
Consumer finance loans	3,199	2,900
Provision for doubtful debts	(444)	(777)
Receivables from franchisees and trade receivables, net	714,845	648,908
Amount receivable in respect of finance leases, net	3,306	3,400
Non-trade debts receivable from:		
- Related entities (including joint ventures and joint venture partners)	21,334	94,721
- Unrelated entities	3,096	6,627
Provision for doubtful debts	(719)	(28,966)
Non-trade debts receivable, net	23,711	72,382
Total trade and other receivables (current)	741,862	724,690

(a) Receivables from franchisees

Derni Pty Limited (Derni), a wholly-owned subsidiary of Harvey Norman Holdings Limited (HNHL), may, at the request of a franchisee, provide financial accommodation in the form of a revolving line of credit, to that franchisee. The repayment of the indebtedness of that franchisee to Derni is secured by a security interest over all present and after-acquired property of that franchisee, pursuant to a General Security Deed (GSD).

The receivables from franchisees balance of $607.73 million as at 30 June 2019 comprises the aggregate of the balances due from each franchisee to Derni, and is net of uncollectible amounts. The indebtedness of each franchisee to Derni is reduced on a daily basis by an electronic funds transfer process. Each franchisee directs the financial institution of that franchisee to transfer the net cash receipts in the bank account of the franchisee to Derni, in reduction of outstanding indebtedness.

Receivables from franchisees are current and neither past due nor impaired as at 30 June 2019.

Upon first-time implementation of AASB 9 Financial Instruments, receivables from franchisees have been measured at amortised cost. The consolidated entity has performed an assessment of the franchisee receivables and has calculated the expected credit loss by applying the general approach for provisioning for expected credit losses prescribed by AASB 9. The expected credit loss assessment was conducted on the carrying value of franchisee receivables upon the initial application of the standard as at 30 June 2018 totalling $544.00 million, and on the carrying value of franchisee receivables as at 30 June 2019 totalling $607.73 million.

Based on the assessment conducted in both periods, the expected credit losses on receivables from franchisees are not material to the result of the consolidated entity and, as such, no adjustment has been recognised to opening retained profits as at 1 July 2018 and the income statement for the year ended 30 June 2019. The calculation of the expected credit losses pursuant to AASB 9 produces a materially similar result to the previous recoverability assessment under AASB 139 Financial Instruments: Recognition and Measurement. Previously under AASB 139, Derni, as a secured creditor of the franchisee, conducted an assessment of recoverability in respect of each individual franchisee financial accommodation facility. This involved an objective appraisal of the franchisee's capacity to repay amounts owing to Derni, after taking into account all the assets of the franchisee held as security pursuant to the GSD.

	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000

8. OTHER FINANCIAL ASSETS (CURRENT)

	June 2019 $000	June 2018 $000
Equity investments at fair value	27,483	29,754
Derivatives receivable	5	5
Other current financial assets	1,400	1,704
Total other financial assets (current)	28,888	31,463

9. INVENTORIES (CURRENT)

	June 2019 $000	June 2018 $000
Finished goods at cost	403,154	350,880
Provision for obsolescence	(7,189)	(5,593)
Total inventories (current)	395,965	345,287

10. OTHER ASSETS (CURRENT)

	June 2019 $000	June 2018 $000
Prepayments	29,901	39,220
Other current assets	7,640	5,924
Total other assets (current)	37,541	45,144

11. INTANGIBLE ASSETS (CURRENT)

	June 2019 $000	June 2018 $000
Net licence property (current)	370	490

12. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	June 2019 $000	June 2018 $000
Trade receivables	546	533
Consumer finance loans	677	614
Provision for doubtful debts	(6)	(6)
Trade receivables, net	1,217	1,141
Amounts receivable in respect of finance leases	820	732
Non-trade debts receivable from:		
- Related entities (including joint ventures and joint venture partners)	50,939	98,588
- Unrelated entities	25,968	12,024
Provision for doubtful debts	(29,553)	(34,042)
Non-trade debts receivable, net	47,354	76,570
Total trade and other receivables (non-current)	49,391	78,443

13. OTHER FINANCIAL ASSETS (NON-CURRENT)

	June 2019 $000	June 2018 $000
Equity investments at fair value	16,861	17,094
Units in unit trusts	414	204
Other non-current financial assets	2,095	985
Total other financial assets (non-current)	19,370	18,283

	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000
14. PROPERTY, PLANT AND EQUIPMENT		
Land at fair value	199,078	195,490
Buildings at fair value	242,135	236,971
Net land and buildings at fair value	441,213	432,461
Plant and equipment:		
At cost	828,962	802,107
Accumulated depreciation	(577,100)	(576,963)
Net plant and equipment	251,862	225,144
Lease make good asset:		
At cost	7,042	6,257
Accumulated depreciation	(3,910)	(3,525)
Net lease make good asset	3,132	2,732
Total plant and equipment	254,994	227,876
Total property, plant and equipment:		
Land and buildings at fair value	441,213	432,461
Plant and equipment at cost	836,004	808,364
Total property, plant and equipment	1,277,217	1,240,825
Accumulated depreciation and amortisation	(581,010)	(580,488)
Total written down amount	696,207	660,337

15. INVESTMENT PROPERTIES

	June 2019 $000	June 2018 $000
Opening balance at beginning of the year, at fair value	2,429,397	2,241,754
Net additions, disposals and transfers	9,253	135,997
Net increase from fair value adjustments	70,301	51,646
Closing balance at end of the year, at fair value	2,508,951	2,429,397

Investment Properties

Each investment property is valued at fair value. Each investment property is the subject of a lease or licence in favour of independent third parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees ("Franchisees"). The fair value in respect of each investment property has been calculated predominantly using the income capitalisation method of valuation, using the current market rental value, and having regard to, in respect of each property:

- the highest and best use
- quality of construction
- age and condition of improvements
- recent market sales data in respect of comparable properties
- current market rental value, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction
- tenure of franchisees and external tenants
- adaptive reuse of buildings
- non-reliance on turnover rent
- the specific circumstances of the property not included in any of the above points

15. INVESTMENT PROPERTIES (CONTINUED)

The investment property portfolio in Australia is subject to a semi-annual review to fair market value at each reporting period. At each reporting period, approximately one-sixth of the portfolio is independently valued with the remaining five-sixths reviewed for fair value by Directors, such that the entire portfolio is independently valued every three years. The consolidated entity obtained independent valuations in respect of thirty-nine (39) sites within the investment property portfolio during the year ended 30 June 2019.

Based on the results of the independent valuations, and a consideration of other internal and external factors that may impact the fair value of the overall investment property portfolio, a further eighteen (18) sites within the investment property portfolio were identified by management for further review by management. The eighteen (18) sites had been mainly affected by the same factors or characteristics of the properties which had been independently valued, particularly in relation to yields and market rentals. The income capitalisation method of valuation is primarily used for valuations. A discounted cash flow valuation or a direct sale comparison valuation was undertaken in respect of all properties for means of comparison, excluding property for development in Australia.

There were no material differences between the income capitalisation method result, the discounted cash flow method result and the direct sale comparison method result. The direct sale comparison method is used for all properties classified as property for development in Australia.

	CONSOLIDATED	
	June 2019 $000	June 2018 $000
16. INTANGIBLE ASSETS (NON-CURRENT)		
Net licence property	2,469	3,096
Other intangible assets	252	364
Computer software:		
- At cost	204,327	193,529
- Accumulated amortisation and impairment	(142,417)	(127,922)
Net computer software	61,910	65,607
Net intangible assets (non-current)	64,631	69,067
17. TRADE AND OTHER PAYABLES (CURRENT)		
Trade and other creditors	221,323	229,267
Accruals	62,359	60,719
Total trade and other payables (current)	283,682	289,986

18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)

	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000
Secured:		
Non-trade amounts owing to:		
- Bank overdraft	29,232	45,081
- Commercial bills payable	9,750	9,750
- Syndicated Facility Agreement (a)	370,000	240,000
- Other short-term borrowings (b)	79,417	82,190
Lease liabilities	1,622	1,062
Unsecured:		
Derivatives payable	49	52
Non-trade amounts owing to:		
- Directors	-	33,160
- Other related parties	4,245	10,644
- Unrelated parties	264	252
Total interest-bearing loans and borrowings (current)	494,579	422,191

(a) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company ("Borrower") and certain other subsidiaries of the Company ("Guarantors") entered into a Syndicated Facility Agreement with certain banks ("Financiers" and each a "Financier"). On 26 November 2018, the Amending Deed (No. 6) to the Syndicated Facility Agreement was executed with the effect of extending the repayment date of Tranche B of the Facility totalling $240 million to 4 December 2021.

The aggregate available facility of the Syndicated Facility Agreement remained at $810 million. The utilised amount of the Syndicated Facility Agreement as at 30 June 2019 was $715 million, repayable as set out below, $370 million of which was classified as current interest-bearing loans and borrowings and $345 million was classified as non-current interest-bearing loans and borrowings. This Facility is secured by:

- fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers;
- real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.

Under the terms of the Syndicated Facility Agreement, the Facility is repayable:

- in respect of Tranche A1 totalling $170 million, on 4 December 2019 ($170 million utilised at 30 June 2019);
- in respect of Tranche A2 totalling $200 million, on 4 December 2019 ($200 million utilised at 30 June 2019);
- in respect of Tranche A3 totalling $200 million, on 4 December 2020 ($200 million utilised at 30 June 2019);
- in respect of Tranche B totalling $240 million, on 4 December 2021 ($145 million utilised at 30 June 2019); and
- otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:
  - (i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
  - (ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Increased Facility ("Commitment"), the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

(b) Other Short-Term Borrowings

Of the total other short-term borrowings of $79.42 million:

- a total of $46.02 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facilities are utilised in Slovenia and Croatia and have a maturity date of 4 December 2019.
- a total of $25.18 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facility is utilised in Singapore and has a maturity date of 4 December 2019.
- a total of $3.69 million relates to a revolving credit facility with ANZ in Singapore. This facility is subject to periodic review and otherwise repayable on demand. The revolving credit facility is secured by the securities given pursuant to the Syndicated Facility Agreement.
- a total of $1.03 million relates to a revolving credit facility with AmBank (M) Berhad in Malaysia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.
- a total of $3.50 million relates to a revolving credit facility with ANZ in Australia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to ANZ in respect of the obligations of the Lighting Partners Australia partnership.

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During the 2019 and 2018 financial years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note and in Note 21. Interest-Bearing Loans and Borrowings (Non-Current).

	CONSOLIDATED June 2019 $000	June 2018 $000

19. OTHER LIABILITIES (CURRENT)

	June 2019 $000	June 2018 $000
Lease incentives	4,101	4,037
Unearned revenue	71,718	62,788
Total other liabilities (current)	75,819	66,825

20. PROVISIONS (CURRENT)

	June 2019 $000	June 2018 $000
Employee entitlements	31,902	34,096
Lease make good	437	473
Deferred lease expenses	689	785
Total provisions (current)	33,028	35,354

21. INTEREST-BEARING LOANS AND BORROWINGS (NON CURRENT)

	June 2019 $000	June 2018 $000
Secured:		
Syndicated Facility Agreement (Refer to Note 18(a))	345,000	500,000
Lease liabilities	1,942	3,203
Total interest-bearing loans and borrowings (non-current)	346,942	503,203

22. PROVISIONS (NON-CURRENT)

	June 2019 $000	June 2018 $000
Employee entitlements	2,171	1,994
Lease make good	6,604	5,785
Deferred lease expenses	4,250	3,866
Total provisions (non-current)	13,025	11,645

23. OTHER LIABILITIES (NON-CURRENT)

	June 2019 $000	June 2018 $000
Lease incentives	11,223	13,625
Unearned revenue	107	538
Total other liabilities (non-current)	11,330	14,163

24. CONTRIBUTED EQUITY

	June 2019 $000	June 2018 $000
Ordinary shares	552,250	388,381
Total contributed equity	552,250	388,381

	Number of shares	Number of shares
Number of ordinary shares issued and fully paid	1,179,736,590	1,114,188,911

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	June 2019 Number of Shares	June 2019 $000
Movements in ordinary shares on issue		
At 1 July 2018	1,114,188,911	388,381
Issue of shares under renounceable pro-rata Entitlement Offer	65,547,679	163,869
At 30 June 2019	1,179,736,590	552,250

	CONSOLIDATED June 2019 $000	CONSOLIDATED June 2018 $000

25. RETAINED PROFITS AND DIVIDENDS

	June 2019 $000	June 2018 $000
Movements in retained profits were as follows:		
Balance at beginning of the year	2,337,241	2,229,200
Profit for the year	402,317	375,378
Dividends paid	(342,122)	(267,337)
Balance at end of the year	2,397,436	2,337,241

	June 2019 $000	June 2018 $000
Dividends declared and paid:		
Dividends on ordinary shares:		
Final fully-franked dividend for 2018: 18.0 cents (2017: 12.0 cents)	200,554	133,635
Interim fully-franked dividend for 2019: 12.0 cents (2018: 12.0 cents)	141,568	133,702
Total dividends paid	342,122	267,337

The final dividend of $200.55 million, fully-franked, for the year ended 30 June 2018 was paid on 2 November 2018.

The interim dividend of 12.0 cents per share, totalling $141.57 million fully-franked, for the year ended 30 June 2019 was paid on 1 May 2019.

The final dividend of 21.0 cents per share totalling $247.74 million fully-franked, for the year ended 30 June 2019 will be paid on 1 November 2019. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

	June 2019 $000	June 2018 $000
Franking Account Balance:		
The amount of franking credits available for the subsequent financial years are:		
- franking account balance as at the end of the financial year at 30%	539,191	590,529
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,222	4,900
- franking credits that will be utilised in the payment of proposed final dividend	(106,176)	(85,952)
The amount of franking credits available for future reporting years	434,237	509,477

26. NON-CONTROLLING INTERESTS

	June 2019 $000	June 2018 $000
Interest in:		
- Ordinary shares	2,691	2,691
- Reserves	15,027	13,848
- Retained earnings	12,665	10,387
Total non-controlling interests	30,383	26,926

27. RESERVES

CONSOLIDATED $000	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	FVOCI reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2017	131,304	42,374	13,732	-	(20)	9,611	(22,051)	174,950
Revaluation of land and buildings	15,915	-	-	-	-	-	-	15,915
Tax effect of revaluation of land and buildings	(2,693)	-	-	-	-	-	-	(2,693)
Unrealised loss on available-for-sale investments	-	-	(1,830)	-	-	-	-	(1,830)
Reverse expired or realised cash flow hedge reserves	-	-	-	-	20	-	-	20
Net loss on forward foreign exchange contracts	-	-	-	-	(12)	-	-	(12)
Tax effect of net loss on forward foreign exchange contracts	-	-	-	-	4	-	-	4
Currency translation differences	-	(1,715)	-	-	-	-	-	(1,715)
Share based payment	-	-	-	-	-	741	-	741
Tax effect of share based payment	-	-	-	-	-	4	-	4
At 30 June 2018	144,526	40,659	11,902	-	(8)	10,356	(22,051)	185,384
At 1 July 2018	144,526	40,659	11,902	-	(8)	10,356	(22,051)	185,384
Revaluation of land and buildings	12,234	-	-	-	-	-	-	12,234
Tax effect of revaluation of land and buildings	(3,910)	-	-	-	-	-	-	(3,910)
Transfer to financial assets at fair value through other comprehensive income (a)	-	-	(11,902)	11,902	-	-	-	-
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	-	(953)	-	-	-	(953)
Reverse expired or realised cash flow hedge reserves	-	-	-	-	8	-	-	8
Net loss on forward foreign exchange contracts	-	-	-	-	(3)	-	-	(3)
Tax effect of net loss on forward foreign exchange contracts	-	-	-	-	1	-	-	1
Currency translation differences	-	25,194	-	-	-	-	-	25,194
Share based payment	-	-	-	-	-	519	-	519
Utilisation of employee equity benefits reserve	-	-	-	-	-	(750)	-	(750)
At 30 June 2019	152,850	65,853	-	10,949	(2)	10,125	(22,051)	217,724

(a) The listed shares held as available for sale at fair value as at 30 June 2018 were classified as listed shares held at fair value through other comprehensive income (FVOCI) upon first-time application of the new standard, AASB 9 Financial Instruments from 1 July 2018. As such, the amounts previously recognised in the available for sale reserve within equity have been transferred to the financial assets at FVOCI reserve.

NATURE AND PURPOSE OF RESERVES:

Asset Revaluation Reserve
This reserve is used to record increases in the fair value of "owner occupied" land and buildings and decreases to the extent that such decreases relate to an increase of the same asset previously recognised in equity.

Foreign Currency Translation Reserve
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Fair Value through Other Comprehensive Income (FVOCI) Reserve
This reserve is used to record fair value changes on equity investments classified as financial assets at fair value through other comprehensive income.

Available for Sale Reserve
This reserve was previously used to record fair value changes on available-for-sale investments.

Cash Flow Hedge Reserve
This reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Employee Equity Benefits Reserve
This reserve is used to record the value of equity benefits provided to executive directors as part of their remuneration.

Acquisition Reserve
This reserve is used to record the consideration paid in excess of carrying value of non-controlling interests.

	CONSOLIDATED June 2019 $000	June 2018 $000

28. CASH AND CASH EQUIVALENTS

(a) RECONCILIATION TO CASH FLOW STATEMENT

	June 2019 $000	June 2018 $000
Cash and cash equivalents comprise the following:		
Cash at bank and on hand	200,877	124,458
Short term money market deposits	14,171	46,086
	215,048	170,544
Bank overdraft (Note 18)	(29,232)	(45,081)
Cash and cash equivalents	185,816	125,463

(b) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET OPERATING CASH FLOWS

	June 2019 $000	June 2018 $000
Profit after tax	409,002	380,050
Adjustments for:		
Net foreign exchange losses / (gains)	461	(496)
Bad and doubtful debts	671	364
Share of net profit from joint venture entities	(9,787)	(5,792)
Depreciation of property, plant and equipment	64,363	65,359
Amortisation	20,896	19,432
Impairment of non-trade debts receivable	8,394	45,700
Impairment of equity-accounted investments	-	20,665
Revaluation of Australian investment properties and investment properties of overseas controlled entity	(70,301)	(51,646)
Loss on restructure and consolidation of KEH Partnership	9,665	-
Deferred lease expenses	239	(663)
Executive remuneration expenses	3,175	4,173
Profit on disposal and sale of property, plant and equipment, and the revaluation of listed securities	(14,125)	(2,329)
Movements in provisions	(1,158)	(766)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(75,548)	(29,595)
Inventory	(25,080)	(29,738)
Other current assets	7,531	10,303
Increase/(decrease) in liabilities:		
Payables and other current liabilities	48,056	56,082
Income tax payable	(3,609)	(26,933)
Net cash flows from operating activities	372,845	454,170

29. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	CONSOLIDATED Investment	
	June 2019 $000	June 2018 $000
Total joint venture entities accounted for using equity method	**3,854**	4,497

	Ownership Interest		Contribution to Profit / (Loss) Before Tax	
	June 2019 %	June 2018 %	June 2019 $000	June 2018 $000
Noarlunga (Shopping complex)	**50%**	50%	**1,447**	1,573
Perth City West (Shopping complex)	**50%**	50%	**3,123**	3,806
Warrawong King St (a) (Shopping complex)	**62.5%**	62.5%	**1,087**	1,100
Byron Bay (Residential/convention development)	**50%**	50%	**(755)**	(741)
Byron Bay – 2 (Resort operations)	**50%**	50%	**536**	246
Dubbo (Shopping complex)	**50%**	50%	**699**	631
Bundaberg (Land held for investment)	**50%**	50%	**(202)**	(234)
Gepps Cross (Shopping complex)	**50%**	50%	**3,117**	3,075
QCV (b) (Miners residential complex)	**50%**	50%	**11**	10
Other	**50%**	50%	**724**	891
Subtotal			9,787	10,357
KEH Partnership (c) (Retailer)	**99.02%**	50%	**-**	-
Coomboona Dairy (d) (Dairy farming)	**49.9%**	49.9%	**-**	(4,565)
			9,787	5,792

(a) This joint venture has not been consolidated as the consolidated entity does not have control over operating and financing decisions and all joint venture parties participate equally in decision making.

(b) A number of wholly-owned subsidiaries of Harvey Norman Holdings Limited ("HNHL") have entered into joint ventures with an unrelated party to provide mining camp accommodation. The respective joint ventures have been granted finance facilities as follows:

(i) a finance facility from ANZ for the amount of $5.15 million plus interest and costs, with a maturity date of 31 January 2020.

(ii) finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $32.69 million plus interest and costs, subject to bi-annual review.

(c) Prior to 1 July 2018, the consolidated entity, through a wholly-owned subsidiary, had a 50% interest in KEH Partnership Pty Limited (KEH), a retailer of school apparel, education goods and technology equipment through the brand name of The School Locker.

Effective 1 July 2018, the KEH business was restructured and the consolidated entity's interest in the Partnership was 99.02% and, from that date, the consolidated entity ceased equity accounting and consolidated the financial statements of KEH.

Refer to further information provided on page 14 regarding the Other Non-Franchised Retail Segment and Note 30. Business Combinations on page 56.

(d) In August 2018, the Administrators commenced an orderly sale process for the sale of the Coomboona JV assets (**Administrator Sale**). Expressions of interest were received and reviewed by the Administrator. On 31 October 2018, the Administrators advised the consolidated entity that the property, the subject of the NCF Securities and HN JV Entity Securities in respect of the NCF and HN JV Entity receivables, had been sold for $44.10 million to Australian Fresh Milk Holdings Pty Limited (**AFHM**).

On 16 January 2019, the Administrator Sale was completed and the Contract for Sale settled. The only secured creditors were NCF and the HN JV Entity and both are wholly-owned subsidiaries of HNHL. The secured creditors received net proceeds on sale of $40.50 million for the full discharge of the NCF receivables and the partial discharge of the HN JV Entity receivables. Upon completion of the Administrator Sale, a further impairment expense of $8.25 million was recognised for the year ended 30 June 2019 to reduce the value of the HN JV Entity receivables to its estimated recoverable amount.
Refer to further information provided on Page 14 regarding the Other Segment.

30. BUSINESS COMBINATIONS

KEH Partnership Pty Limited (**KEH**) is a retailer of school apparel, education goods and technology equipment through the brand name of The School Locker.

Effective 1 July 2018, a wholly-owned subsidiary of Harvey Norman Holdings Limited acquired all of the inventory assets of KEH. Subsequently, there was a restructure of the KEH business (**Partnership**) where, by unanimous agreement in writing, each partner in the Partnership agreed to vary the interest of the respective partners in the Partnership, with the consolidated entity increasing its partnership interest in the Partnership to 99.02%.

Up to 30 June 2018, the consolidated entity, through a wholly-owned subsidiary, had a 50% interest in the Partnership and had accounted for its interest as an equity-accounted joint venture entity. Effective 1 July 2018, the consolidated entity's interest in the Partnership was 99.02% and, from that date, the consolidated entity ceased equity accounting and consolidated the financial statements of KEH.

Assets acquired and liabilities assumed	Fair value 1 July 2018 $000
Assets	
Cash and cash equivalents	50
Trade and other receivables	2,966
Inventories	25,199
Property, plant and equipment	2,831
Total assets	31,046
Liabilities	
Trade and other payables	571
Interest-bearing loans and borrowings	30,475
Total liabilities	31,046
Total identifiable net assets at fair value	-
Purchase consideration transferred	-
Loss on restructure and consolidation of KEH	9,665

The loss on the restructure and consolidation of KEH was $9.67 million, being the difference in the carrying amount of the loan receivable from KEH in the consolidated entity's financial statements of $40.14 million as at 30 June 2018 and the fair value of the loan payable in KEH's financial statements of $30.47 million.

The net cash flow on consolidation was a cash inflow of $0.05 million, which was included in cash flows from investing activities.

From 1 July 2018, The School Locker business of the consolidated entity contributed $67.00 million of revenue and incurred a trading loss before tax of $11.40 million, resulting in a reduction in profit before tax for the consolidated entity by that amount for the year ended 30 June 2019.

31. ASSETS HELD FOR SALE

The Sale of The Byron at Byron Bay Resort

Subsequent to balance date on 9 August 2019, the consolidated entity announced that Harvey Norman Holdings Limited (the Company) and certain of its controlled entities, with certain entities controlled by Gerald Harvey, as owners of the property and business known as The Byron at Byron Bay Resort (**Resort**), have entered into agreements for sale of the Resort (**Sale Contract**) for the sale price of $41,764,000 (ex GST), subject to terms and conditions for completion. The purchasers under the Sale Contract are GAG Byron on Byron Property Co Pty Ltd ACN 635 158 351 and GAG Byron on Byron Business Company Pty Ltd ACN 635 172 333.

Subject to the terms and conditions of the Sale Contract, completion of the Sale Contract will occur on the later of 16 September 2019 and the second Monday following the grant of the liquor licence approval by the relevant authority. If the terms and conditions for completion of the Sale Contract are not satisfied, in certain circumstances, the purchasers have the right to terminate or rescind the Sale Contract.

Assets Held for Sale as at 30 June 2019

As at 30 June 2019, the carrying amounts of two (2) retail property assets were classified as current assets held for sale:

- The carrying amount of the consolidated entity's 50% asset ownership of The Byron at Byron Resort comprising its 50% shareholding of the Byron Bay (residential / convention development) land and building assets and its 50% shareholding of the Byron Bay (resort operations) plant and equipment assets; and
- The carrying amount of a warehouse in Singapore that is currently held for sale.

Appendix A – Summary of new standards adopted in the current period

(a) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. Entities are required to exercise more judgement in developing revenue recognition policies, taking into consideration all the relevant facts and circumstances when applying each step of the model.

The consolidated entity has adopted this standard from 1 July 2018 and has applied the standard retrospectively. The adoption of this standard did not have a material impact on the consolidated entity's financial statements. With the exception of the set-off of tactical support payments against franchise fees received, the adoption of AASB 15 with respect to franchise agreements did not have any implication on the quantum and timing of the recognition of revenue from franchisees.

Revenue from Franchisees

The application of AASB 15 to franchise agreements with franchisees requires the consolidated entity to recognise revenue from franchisees based on the amount it expects to receive in exchange for the provision of franchising operations' activities to franchisees, pursuant to a franchise agreement. Upon application of AASB 15, tactical support payments have been netted off against franchise fees received. AASB 15 had nil impact on the franchising operations segment result with the effect being a reclassification from expenses to a reduction in franchising operations segment revenue. Tactical support payments to franchisees protect, enhance and promote the Harvey Norman®, Domayne® and Joyce Mayne® brands, and are an expense of the franchisor to assist a franchisee, as required from time-to-time at a franchisor's discretion, to effectively compete in their local markets. For the year ended 30 June 2019, the reduction in revenues from franchisees attributable to tactical support payments was $74.88 million compared to $74.98 million for the year ended 30 June 2018.

With the exception of the set-off of tactical support payments, the adoption of AASB 15 with respect to franchise agreements did not have any implication on the quantum and timing of the recognition of revenue from franchisees.

The following are the revenue accounting policies that apply to the consolidated entity in accordance with AASB 15.

Sale of goods

The customer obtains control over the product upon delivery and revenue is therefore recognised at the point in time the product is delivered or handed over to the customer. Revenue is measured based on the consideration expected to be received, net of trade rebates and discounts paid.

Revenue from services

The consolidated entity provides repair services, installation services and delivery services to customers. These services are sold either in their own contracts with the customers or bundled together with the sale of products. The consolidated entity recognises revenue when the service is rendered. For bundled packages, the consolidated entity accounts for individual products and services separately if they are distinct.

(b) AASB 9 Financial Instruments

AASB 9 sets a new model for classifying and measuring financial assets based on the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. The standard also introduces a new expected credit loss model for impairment of financial assets and new rules for hedge accounting. The consolidated entity has adopted this standard from 1 July 2018 without restating comparative information. The key changes to the consolidated entity's financial statements arising from this standard are in relation to the classification and measurement of financial assets and the impairment of financial assets. The adoption of AASB 9 has no impact on the classification and measurement of financial liabilities and financial instruments qualifying for hedge accounting.

Upon first-time implementation of AASB 9 Financial Instruments, receivables from franchisees have been measured at amortised cost. The consolidated entity has performed an assessment of the franchisee receivables and has calculated the expected credit loss by applying the general approach for provisioning for expected credit losses prescribed by AASB 9. The expected credit loss assessment was conducted on the carrying value of franchisee receivables upon the initial application of the standard as at 30 June 2018 totalling $544.00 million, and on the carrying value of franchisee receivables as at 30 June 2019 totalling $607.73 million.

Based on the assessment conducted in both periods, the expected credit losses on receivables from franchisees are not material to the result of the consolidated entity and, as such, no adjustment has been recognised to opening retained profits as at 1 July 2018 and the income statement for the year ended 30 June 2019. The calculation of the expected credit losses pursuant to AASB 9 produces a materially similar result to the previous recoverability assessment under AASB 139 Financial Instruments: Recognition and Measurement. Previously under AASB 139, Derni, as a secured creditor of the franchisee, conducted an assessment of recoverability in respect of each individual franchisee financial accommodation facility. This involved an objective appraisal of the franchisee's capacity to repay amounts owing to Derni, after taking into account all the assets of the franchisee held as security pursuant to the GSD.

Non-Cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.	NIL

	CONSOLIDATED	
	June 2019	June 2018
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	2.91	2.80
Business Combinations Having Material Effect		
Name of business combination	KEH Partnership Pty Limited	N/A
Consolidated profit/(loss) after tax of the business combination since the date in the current year on which control was acquired	$7.98 million loss	N/A
Date from which such profit has been calculated	1 July 2018	N/A
Profit/(loss) after tax of the controlled business combination for the whole of the previous corresponding year	$7.60 million loss	N/A
Loss of Control of Entities Having Material Effect		
Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current year to the date of loss of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding year	N/A	N/A

Audit

This preliminary financial report is based on statutory financial statements that are in the process of being audited.